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RECORDING
A cacophony of new technologies
Page 13

World News | Business Summary

Serbia warns Croatia over ethnic minorities

Serbian President Slobodan Milosevic raised the political temperature in Yugoslavia by warning the republic of Croatia that it could become independent only if it left behind part of that territory which is inhabited by the Serb minority.

Alexander Bessmertnykh, the Soviet foreign minister, joined west European leaders in expressing alarm at Yugoslavia's internal strife. French President François Mitterrand and Germany's Chancellor Helmut Kohl said in a joint statement said they "view the worsening clashes ... as a danger to the stability of the region and to Europe as a whole". Page 14

Israel caution on arms
The Israeli government responded warily to US President George Bush's proposals calling on big arms suppliers and Middle East states to curb conventional arms, ballistic missiles and nuclear, chemical and biological weapons. Page 14

Bush lawsuit
Neil Bush, one of President Bush's sons, and 10 other former directors and officers of the failed Silverado Savings and Loan of Colorado, have tentatively agreed to pay $49.5m to the federal government to settle a $200m lawsuit over its collapse. Page 5

Asbestos blights HQ
The European Commission is evacuating its Berlaymont headquarters in central Brussels because of the presence of asbestos. Page 2

Explosion hits train
An explosion ripped through a train bound for Soviet Azerbaijan, killing and injuring a number of people, the official news agency Tass said. Initial reports gave no cause of the blast, which happened near Dagestan, on the coast of the Caspian Sea.

Noriega paid $320,000
Former Panama president Manuel Noriega was paid $320,000 for spying for the US during the Panama Canal negotiations, documents at his trial showed. But the government denied authorising the drug trafficking deals he is charged with.

Kurds die in battle
Four separatist Kurdish guerrillas and a Turkish soldier were killed in a battle in Elazig province, south-east Turkey.

Bomb suspect killed
A Basque guerrilla suspect was killed and three people were wounded in a police raid on a group blamed for a car bomb attack which killed nine people in the town of Vic, near Barcelona, on Wednesday.

Marcos accounts frozen
Switzerland froze two bank accounts totalling $1.3bn believed to belong to Ferdinand Marcos, the late president of the Philippines, following a request by the islands' government.

Coral Browne dies
Australian actress Coral Browne died in Los Angeles, aged 77. She was married to horror film actor Vincent Price. Page 11

US wants new curbs on tying aid to exports

The US is urging greater controls to stop industrialised nations tying their aid to the Soviet Union and eastern Europe to their own products and services. Page 14

US: Congress is preparing an attack on the country's welcoming approach to foreign investment in strategic US industries. However, the committee which vets such investments, has reported a big drop in notifications of overseas investment in American high-technology companies. Page 3

SWEDEN: Central Bank (Riksbank) lowered its discount rate a full point to 9 per cent, responding to falling market rates after the krona was linked to the Ecu almost two weeks ago. Page 2

AUSTRALIA: gross domestic product grew by 0.1 per cent in the first quarter, giving tentative support to government claims that the economy is beginning to recover. Page 4

BOND Corporation Holdings, faces the final hurdle in its campaign to engineer a scheme to save the collapsed company, when German bondholders meet to vote on a debt-for-equity swap. Page 20

TRANS WORLD Airlines, heavily indebted US airline, agreed to increase its purchase offer for part of the company's debt. Page 17

SKANDINAVISKA Enskilda Banken, Sweden's largest commercial bank group, strengthened its presence on the board of Skandia, leading Swedish private insurer, preparing the way for a possible merger. Page 15

TNT, Australian-based international transport group, rejected a suggestion by the Australian Stock Exchange that information about its deteriorating financial position could have been released to investors before its third-quarter earnings report. Page 18

NISSAN, Japanese car maker, reported a 78.3 per cent fall in consolidated annual pre-tax profit to Y72.4bn ($528m) after currency fluctuations, higher labour costs and a dip in sales volume. Page 15

PREUSSAG, German steel, trading, and energy group, saw net profits rise by nearly three per cent to DM228m ($131m) in the first half of its financial year from DM217m year on year. The company had benefited from demand in eastern Germany. Page 15

BANK of New Zealand announced a NZ$71m ($41.7m) loss for the year to March 31, 1991. BNZ announced a capital reconstruction, including raising NZ$250m of new share capital. Page 18

MITSUBISHI Materials, Japan's largest metal and ceramic products maker, saw pre-tax profits up 5.2 per cent to Y27.4bn ($198.55m), although sales rose 18.4 per cent to Y760bn. The takeover of Mitsubishi Mining and Cement last December gave the biggest boost to sales. Page 18

BRITISH Airways' two most senior executives face pay cuts of more than £100,000, following the company's poor results. Page 15

Lamont to oppose two-speed drive to EC single currency

By Peter Norman, Economics Correspondent, in London

MR NORMAN LAMONT, the UK chancellor, stressed yesterday that Britain would oppose being confined to the slow lane of a two-speed drive towards European economic and monetary union.

In his first speech on Emu since becoming chancellor six months ago, he underlined Britain's caution and deep scepticism towards plans for Europe to adopt a single currency.

But Mr Lamont, who was addressing a conference on Emu organised by the Association for the Monetary Union of Europe and the Royal Institute for International Affairs, went out of his way to couch his remarks in conciliatory tones.

"I believe that there is a basis for an agreement, which meets both British concerns and the aspirations of our community partners, and keeps all member states moving forward together," he said. His speech made clear that for Britain such an agreement would have to be based on the UK's existing position on Emu.

Rejecting the approach adopted by most of Britain's partners, who want the next stage to union to start in 1994, Mr Lamont insisted that the process of Emu "should not turn on deadlines and timetables". He also said Britain was not abandoning its "hard Ecu" proposals for a market led evolution of Emu.

Above all, Mr Lamont stressed that Britain would not have a single currency imposed upon it.

Mr Lamont's speech was carefully crafted to assure the pro-European wing on the Conservative party that the government would play a constructive role in the negotiations on Emu.

But its details contained a tough message that Britain believes it can secure many of the supposed advantages of union from the existing EC single market programme and membership of the exchange rate mechanism of the European Monetary System.

The chancellor did not mention by name recent proposals by Mr Jacques Delors, the European Commission president, that would allow the EC countries to sign an Emu treaty and yet give Britain the right to make its acceptance of a single currency and central bank subject to approval by the Westminster parliament.

But he made clear that the British government opposed any idea, such as the Delors plan, which could consign the UK to the slow lane of a two- or multi-speed Europe. This was not the most difficult problem facing Emu, he said.

In particular, the EC member states' economies needed to converge much more before moving to the transitional second phase of Emu and the final stage in which there would be a single currency and central bank. At present economic divergences in the Comunity were considerable with inflation rates ranging from 2.5 per cent to 21 per cent.

In this Mr Lamont gained some support from Mr Karl Otto Pöhl, outgoing president of the Bundesbank, who said an unpublished study prepared for the committee of EC central bank governors suggested that inflation rates could diverge further in the EC in the next two to three years.

Kohl and Mitterrand want Gorbachev at G7 summit

By Ian Davidson in Lille, Peter Riddell in Washington and John Lloyd in Moscow

FRANCE and Germany yesterday urged that President Mikhail Gorbachev be invited to meet the leaders of the western world at the Group of Seven summit to be held in London in July.

Their support for an invitation to Mr Gorbachev, after a long period of hesitation and ambiguity, was announced at the end of a two-day summit in Lille between President François Mitterrand and Chancellor Helmut Kohl.

It means that the US and the UK will now be more isolated in resisting the idea, following support for Mr Gorbachev's attending the summit from Italy, Canada and other members of the G7.

"I desire the presence of Mr Gorbachev [at the G7 summit] in London", Mr Mitterrand said, but he implied that the Soviet president should be invited only for a conversation on the problems of the Soviet Union, not as a surrogate eighth member of the western summit.

Mr Gorbachev said he hoped to "share his thoughts" on Soviet reform at the G7 summit to be held between July 15 and 17.

Speaking in Alma Ata, the capital of the Soviet republic of Kazakhstan, he said that he favoured making the Soviet economy serve the needs of the individual rather than being "overburdened with military spending".

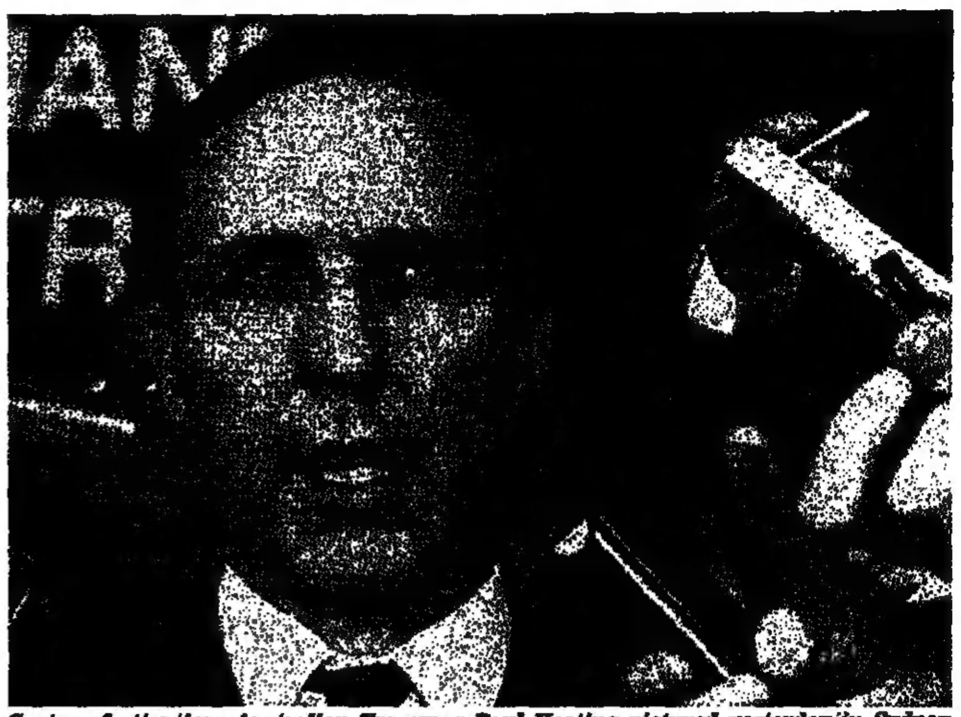
In Washington, a delegation from Moscow meeting senior members of the Bush administration and Congressional leaders was told that any US assistance for Soviet economic reform was likely to be limited, phased and linked to concrete actions to move towards a market based system.

Mr Marlin Fitzwater, the White House spokesman, said that Mr Michael Boskin, chairman of the president's council of economic advisers, had told the Soviet delegation that the US "wants to help, is interested in their progress, has various means available to be supportive and is willing to give advice".

Mr Yevgeny Primakov, a close adviser to Mr Gorbachev, has presented a modified version of the Soviet anti-crisis programme to the Bush administration.

Mr James Baker, the secretary of state, has given a guarded initial response, expressing support for reform, but saying the US wants to assess more detailed and specific proposals before reaching decisions.

Arms control plan, Page 2



Centre of attention: Australian Treasurer Paul Keating pictured yesterday in Sydney after announcing he will challenge Bob Hawke for the prime ministership

Keating launches bid to oust Hawke as Australian premier

By Kevin Brown in Sydney

MR BOB HAWKE, Australia's Labor prime minister, was today facing the most serious challenge of his eight-year administration after a day of bizarre revelations culminated in a leadership bid by Mr Paul Keating, the treasurer, who is also his deputy.

Mr Keating revealed that Mr Hawke had reneged on a hitherto undisclosed promise made in November 1988 that he would retire "at a suitable time" after the 1990 election, which Labor went on to win narrowly.

The promise – which must rank among Australia's best-kept political secrets – was witnessed by Sir Peter Abeles, chief executive of TNT, the transport group, and Mr Bill Kelty, general secretary of the Australian Council of Trade Unions.

Mr Hawke's office confirmed that Sir Peter, a long-standing friend of the prime minister, had been present at the gathering at Kirribilli House, the prime minister's Sydney residence, to witness the pledge on his behalf. Mr Kelty attended as a political ally of Mr Keating.

However, Mr Hawke was said to believe his promise had been nullified by a speech made by Mr Keating in December, when he suggested Australia had never enjoyed "great leadership". Mr Hawke was said to regard the speech as "an act of treachery," which

Challenged for the prime ministership: Bob Hawke

stiffened his determination not to stand down.

MPs said Mr Keating's chances in today's contest were likely to be improved by anger over Mr Hawke's decision to involve Sir Peter in internal Labor Party affairs.

Labor's 110 federal MPs and senators will meet in Canberra this morning to decide whether Mr Hawke or Mr Keating should lead them into the next election, due by March 1993.

The betting was that Mr Hawke should win. But there were indications that the margin might not be enough to prevent a further challenge emerging. It remained unclear whether he Mr Keating would resign as treasurer, equivalent to finance minister, if he loses.

Leadership tensions have been simmering since Labor's victory in the 1988 election, when Mr Keating, with the support of several ministers, asked Mr Hawke to step aside.

Mr Keating's challenge appears to be intended to give him time to consolidate his leadership, if he wins, before the next election. Labor is trailing the conservative opposition parties by around 17 points in the opinion polls.

Mr Hawke, aged 61, is expected to win the support of most of Labor's left-wing in today's vote, in spite of qualms over Mr Abeles's involvement in the Kirribilli House pact. Mr Keating, 47, can count on the small centre-left faction and a large group of right-wing MPs from New South Wales, Australia's most populous state.

However, some suggest that Mr Hawke's authority might be damaged if he failed to win by a margin of at least 20 votes. Such a result would allow Mr Keating to mount a further challenge before the next election.

Mr Michael Duffy, the attorney general, was the only senior cabinet minister to speak out last night. He said Mr Hawke would win, but acknowledged that the party might be destabilised by the contest.

GDP growth figures beat forecast, Page 4; Observer, Page 12

Nissan's car exhaust advance sends metal prices plunging

By Robert Thomson in Tokyo and Richard Mooney and Kevin Done in London

NISSAN, the Japanese car manufacturer, yesterday sent precious metals traders into overdrive by announcing the development of a new generation of platinum-free catalytic converters.

The present converters use platinum, rhodium and sometimes palladium as catalysts to convert exhaust emissions of carbon monoxide and hydrocarbons into less harmful carbon dioxide and water.

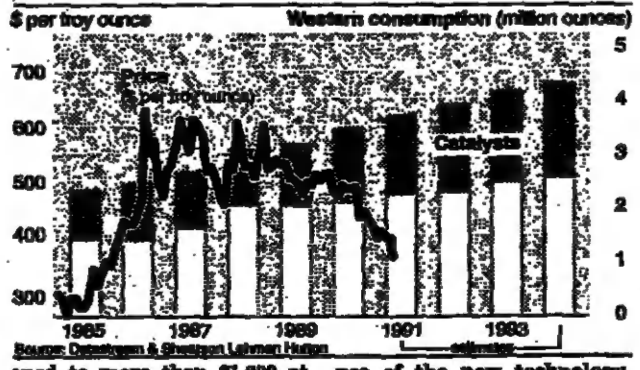
But Nissan announced that its converter used only palladium and reckoned that the shift away from platinum would make the devices about a third cheaper, depending on fluctuations in metals prices.

Nissan estimated that catalytic converters consume about 40 per cent of the platinum and about 80 per cent of the rhodium used in the west.

In response to the announcement, platinum prices fell in heavy trading. The London bullion market price fell by $27.35 to $365.75 a troy ounce, the lowest for five years.

Rhodium trading ground to a halt as the buy/sell spread widened to more than $1,200 at $2,250-$3,475 an ounce, compared with a $3,950 middle price on Wednesday. The palladium market's response was relatively muted, with the price gaining only $4.75 at $98.75 an ounce.

Platinum



Source: Datastream & Shearson Lehman Hutton

Nissan officials said they were surprised by the market reaction as it was unclear when the devices would be fitted to the company's mass-produced models and whether other car makers would make use of the new technology.

"We cannot tell you too much about how it works because the information is secret. We had already got rid of the platinum and then we recently got rid of the rhodium without decreasing the car's performance," Nissan said.

Road tests would be stepped up over the next year and,

Lex, Page 12
Nissan profits fall, Page 15
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Weekend FT

Tomorrow: Why many east Germans feel like second-class citizens in their newly-united nation

●

Arts and antiques: a collector's guide

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Trouble in the French suburbs provides Cresson's first test

A series of suburban riots, a sharp rise in unemployment and wave of transport strikes provide the first politi cal test for Mrs Edith Cresson,

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MARKETS

STERLING
New York lunchtime:
$1.7145
London:
$1.7165 (1.733)
DM2.95 (2.96)
FFr10.015 (10.0375)
SFr2.515 (2.5325)
Y236.5 (239.25)
£ Index 91.3 (91.9)

GOLD
New York: Comex Aug
$368.5
London:
$360.85 (361.45)

N SEA OIL (Argus)
Brent Jul
$19.275 (same)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.7195
FFr5.829
SFr1.46965
Y137.8
London:
DM1.7165 (1.7085)
FFr5.835 (5.7925)
SFr1.4645 (1.461)
Y137.8 (138.0)
$ Index 66.1 (65.5)
Tokyo close: Y137.68

US lunchtime rates
Fed Funds 5¾%
3-mo Treasury Bills:
yield: 5.597%
Long Bond:
95½
yield: 8.255%

STOCK INDICES
FT-SE 100:
2,491.2 (-1.7)
FT Ordinary:
1,948.5 (+1.6)
FT-A All-Share:
1,198.48 (-0.1%)
New York lunchtime:
DJ Ind. Av.
2,957.76 (+28.17)
S&P Comp
388.15 (+3.36)
Tokyo: Nikkei
25,647.4 (+151.99)

LONDON MONEY
3-month interbank:
closing 11 11/32% (11 7/16)
Liffe long gilt future:
JUN 90 3/8 (90 13/32)

France floats global arms control plan

By Ian Davidson in Lille

FRANCE IS putting forward a new global arms control and disarmament programme, to cover every kind of armament, President François Mitterrand said yesterday, at the close of his two-day meeting in Lille with Chancellor Helmut Kohl.

The proposal is being described by officials as complementary to, but much more sweeping than this week's Middle East arms control put forward by President George Bush. It was put to the Germans at the summit yesterday and will be communicated to the four other permanent members of the United Nations Security Council. It will probably be published today.

This week's decision by Nato defence ministers to set up a British-commanded rapid reaction force, has caused extreme irritation in the French government, and cast a frost over the Lille summit.

President François Mitterrand: angered by Nato defence ministers' decision this week to set up rapid reaction force

According to French officials, President Mitterrand fears the Nato move will disrupt negotiations between European Community members on their political union treaty which are due to conclude by the end of this year.

He is particularly concerned that it may pre-empt one of the central issues in the negotiations, whether the treaty should include a long-term commitment to a specifically European defence capability.

Asked whether the Nato decision would make it more difficult for EC members to devise a common defence policy, President Mitterrand answered: "Perhaps; we shall see. But I have reservations to express on the strategy and the politics of the new Nato plan".

"We do not intend to join a force of that sort," Mr Mitterrand said. "But Nato is not the whole of the Atlantic alliance, and not all questions can be settled at that level."

The fact that President Mitterrand criticised the Nato rapid reaction force, even in these oblique terms, is an indication of how vexed he is. The normal French posture towards the integrated military activities of Nato is to express a disdainful lack of interest, on the grounds that France is not concerned by something to which it does not belong. A German official said afterwards: "The French are very angry."

Ostensibly, France and Germany are united in agreeing on the need for a long-term European defence commitment. But the Bonn government was a party to this week's Nato decision, whereas France is not a member of the integrated military structures of Nato and does not take part in meetings of Nato defence ministers.

Chancellor Kohl said yesterday, in the closing joint news conference: "A political union in Europe cannot be envisaged without a security policy." But he added: "We must think how Nato will evolve, and how the 12 will evolve. I am against 'all or nothing'; I am in favour of 'but also'."

EC industry still at odds over HDTV strategy

By Andrew Hill in Brussels

BROADCASTERS, satellite operators and electronics groups have failed to agree an EC strategy for high-definition television (HDTV) with the European Commission in time for Monday's meeting of telecommunications ministers.

The meeting was postponed two months ago, in the hope that Mr Filippo Maria Pandolfi, EC technology commissioner, would be able to present ministers with a draft directive on HDTV strategy.

But no legislation will be tabled on Monday and ministers will have to be content with an oral report from the commissioner about the progress of talks with the industry, which is still split over the best way to promote wide-screen HDTV services in Europe.

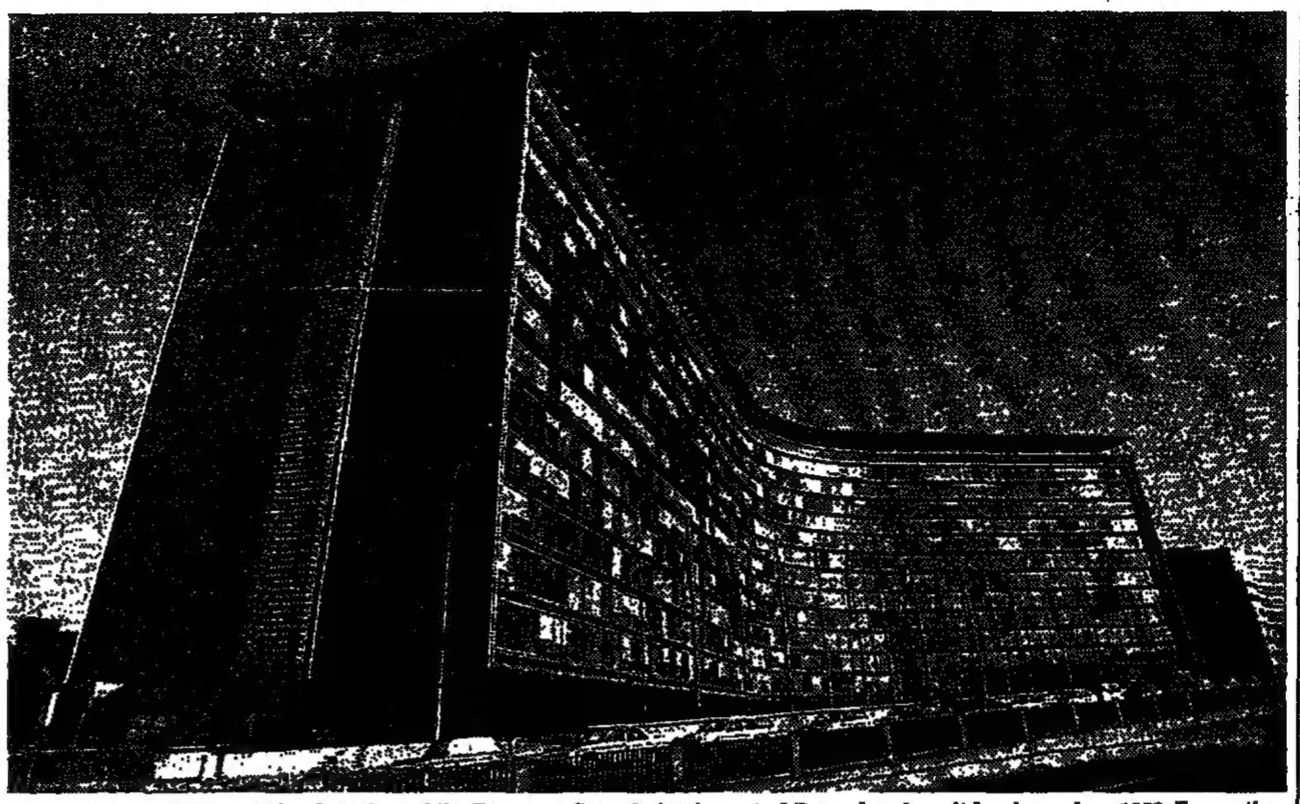
Mr Pandolfi set himself the difficult task of forging a memorandum of understanding between industry representatives, and drafting a new HDTV directive, before June 3.

A month ago he suggested that broadcasters, satellite operators and the electronics industry had reached "agreement in principle" on an EC strategy, but his behind-the-scenes politicking has not yet been enough to paper over differences between the feuding interest groups.

"One day the sun is shining and the next we're in a heavy thunderstorm," said one satellite operator yesterday, describing relations between industry representatives.

The flawed original HDTV directive, which dates from 1986, must be renewed by next year. Broadcasters and satellite operators are worried that the Pal standard they use will be phased out in favour of an intermediate HDTV standard, D2-Mac, before the eventual introduction of a full standard, known as HD-Mac.

However, some broadcasters claim that in bilateral meetings over the last few weeks, Mr Pandolfi has promised that the Commission will not set a firm date for an end to Pal broadcasts. Commission officials refused to comment on the rumours yesterday.



The little-loved Berlaymont headquarters of the European Commission in central Brussels, where it has been since 1968. Evacuation to temporary offices is to start as soon as feasible

Asbestos puts the skids under EC

David Gardner on why the Commission is looking for a new home

LODGINGS sought urgently. Temporary and Permanent. Multilingual family of 3,300; professional multi-nation builders; no animals. Good payers (current rent $13.8m). Brussels area a must. No asbestos in building. No speculators please. Apply European Commission.

In fact, absolutely no asbestos please. For that is why the Commission yesterday announced it is abandoning its little-loved Berlaymont headquarters in central Brussels, where it has been since 1968.

Evacuation to temporary offices is to start as soon as feasible, officials say. The Berlaymont – a sort of starfish on stilts built on the site of an old convent – is to be torn down, and a new Euro-headquarters built, possibly on the same site.

The commissioner in charge of the move, Mr Antonio Cardoso e Cunha, said that regular tests on air quality inside the building showed "no immediate risk" to its inhabitants from the asbestos. But "having examined years of evidence, we have decided the building can not be maintained safely, and to grasp the nettle."

The cost of renovating the Berlaymont, the commissioner said, would be as great as building a new headquarters. The move itself will cost $120m, while estimated costs for "Berlaymont II," as it is already being called, run up to $865m.

The building is a sort of starfish on stilts, built on the site of an old convent

Officials stress they are taking preventive action against potential risk. But recent reports commissioned by Brussels not only confirm, in Mr Cardoso's words, that "the whole building is riddled with asbestos."

Two months ago, Cowi Consult, a Danish consulting engineer, carried out several tests to measure the amount of asbestos released when tasks like replacing a thermostat or a venetian blind were performed. Removing a Berlaymont thermostat released 0.86 asbestos fibres per cubic centimetre of air in the breathing zone of the worker, and 0.67 fibres in the room itself while the work was going on. EC legislation, updated last year, prescribes 0.001 fibres per cc of air as the safety threshold for asbestos.

A more recent report, by FHP International, a London-based consultant engineer, was so conclusively damning, Commission officials say, that a decision to evacuate followed almost immediately. Both FHP and a Commission spokeman were unwilling to comment on the contents of the report.

Eurocrats are, however, understandably anxious to move. Temporary offices have been found for almost everyone, and the move should be completed by the end of the year, officials say.

The Commission already has another 42 buildings in Brussels for the rest of its 15,000 employees. But the Commission's landlord, the commissioners and their immediate staff may find themselves temporarily in novel circumstances - sharing a building with the Belgian state security agency.

Setback for Greek sale of state companies

By Kerin Hope in Athens

THE Greek government's efforts to privatise about 20 heavily-indebted industrial companies by the end of this year suffered a setback yesterday when the European Court ruled that one company's takeover by the state was invalid.

The judgment opens the way for ex-owners of other companies nationalised by a Socialist government in the early 1980s to seek compensation or try to regain control of their former holdings.

The present Conservative government's privatisation timetable now runs the risk of serious delays, even if potential buyers are not scared off by the prospect of a protracted legal entanglement with the state.

The court found that the takeover in 1986 of Velka, a textile company owned by the Karellas family, through a compulsory share increase violated directives on EC company law because the shareholders were not consulted.

Another 10 companies nationalised by the same process of converting debt owed to state-controlled banks into equity have similar suits pending both in and at the European Court in Luxembourg.

Several of these companies have already been offered for sale by the Industrial Reconstruction Organisation (IRO), the umbrella for companies nationalised under the Socialists.

However, if the capitalisation of debt were to be reversed and the former company owners reinstated, they would immediately become liable for crippling interest payments on the amounts owed.

Greek officials yesterday played down the significance of the judgment, noting that it could still be appealed against.

Mr John Piperoglou, secretary of the inter-ministerial privatisation committee, said: "I don't think there will be a discernible impact on the privatisation process, though the government will of course respect the final decision of the European Court."

The government is understood to be willing to pay compensation to former owners after negotiation on a case-by-case basis. But this solution may not satisfy several former owners.

In the case of Heracles General Cement, the largest IRO company and one of the few operating profitably, the Tsatsos family, the former managers, had put forward proposals to buy the 45m shares now considered to be illegally issued, amounting to around 70 per cent of total equity.

However, with only two sales of IRO companies completed in the past year, the government has been pressing its privatisation team to seek more favourable offers for Heracles, one of Europe's largest cement exporters. The government, which set a budget target of Dr50bn (£153m) for income from privatisation this year, is already worried about a possible revenue shortfall.

US-Soviet team shapes economic programme

By John Lloyd in Moscow

MR Grigory Yavlinsky, the economist who leads the US-Soviet team now working at Harvard University on a draft economic programme aimed at attracting western support, is likely to complete his work by the middle of next week.

The team, which includes Prof Jeffrey Sachs, the Harvard economist who advises the Polish government and Prof Graham Allison, the former dean of the Kennedy School of Government at Harvard, is in the final stages of fleshing out a plan, an interim draft of which was shown to Mr James Baker, the US secretary of state, and other senior administration officials.

Prof Allison said last night that "it would not be an integrated plan. It is a concept or scheme which demonstrates that there can be a coherent plan under which the Soviet Union could not just reform itself, but transform itself".

Prof Allison said that foreign assistance was only one "of half a dozen elements which are needed for reform to succeed. But without it the reform would be longer and slower. The level of financial involvement and assistance is not and cannot be seen as a bribe from the west".

He said: "There could be several alternative paths, and they become steeper and more ambitious depending on which one you choose."

Opposition likely on more Brussels control of energy

By Andrew Hill in Brussels

EUROPEAN Commission proposals to widen Brussels' control over EC energy policy during an oil crisis are likely to run into stiff opposition at today's meeting of energy ministers.

Northern EC members such as the UK, Germany, Denmark and the Netherlands, together with Spain, are likely to criticise controversial crisis-management plans first unveiled by Mr Antonio Cardoso e Cunha, the energy commissioner, last October.

The plans would give the Commission the right to instruct member states to sell stocks and cut demand during an oil crisis.

"These proposals were produced in haste and the Commission will now have to repent at leisure," said one UK official yesterday.

At the same meeting, Britain's energy secretary, Mr John Wakeham, is expected to urge Mr Cardoso e Cunha to press ahead with plans to open the EC energy market to third parties. Earlier this month, Mr Wakeham sent a paper to the Commission suggesting ways in which the EC electricity market could be liberalised.

Reports submitted to Brussels last week by member states, and energy consumers and suppliers, showed there were still major differences between interest groups about how best to introduce competition into the EC gas and electricity market.

Western countries to agree on increased stocks of oil

By William Dawkins in Paris

WESTERN industrialised countries are to agree next week to increase oil stocks to improve protection against future supply disruptions such as the one threatened by the Gulf war. However, the agreement will be a political one, with no set target.

A ministerial meeting of the 21-nation International Energy Agency on Monday will take the decision that member governments should strengthen emergency controls over industrially-held oil stocks and increase the amount of oil in state-owned reserves.

The move comes in recognition of the political usefulness of IEA members' oil stocks during the Gulf conflict, and aims to encourage members to increase stocks in line with consumption, said an agency official. But would be no formal plan to increase the minimum stocks (90 days' supply) which IEA members are obliged to keep.

Some producers had criticised the IEA emergency plan, under which 2.5m barrels per day were made available to world markets between January and March, for depressing prices. However, IEA countries generally felt the existence of the system calmed the market and gave western governments valuable extra time to plan the military campaign.

The ministerial session will also discuss ways of improving the dialogue between consumers and producers.

Germany's interest rates 'to stay high'

By David Marsh in Bonn

GERMAN interest rates will need to stay high in coming months because of large-scale demand for capital in unified Germany, Mr Karl Otto Pöhl, the Bundesbank president, reaffirmed yesterday.

In a speech to the German-Swiss chamber of commerce in Zurich, Mr Pöhl blamed high real German interest rates on the size of the fiscal deficit. For the whole public sector, the deficit would be about 5 per cent of gross domestic product this year, he said. "You will understand why interest rates in Germany must be so high. In real terms, they must be high because we have a crazy desire for capital," he said.

His speech underlines the possibility that the Bundesbank could again act in coming months to increase interest rates, although much will depend on the position of the D-Mark on the exchange markets.

Mr Pöhl urged a cut in public sector borrowing through lower expenditure rather than through higher taxes – the step the government decided three months ago. He also said that reductions in subsidies, which Bonn is trying to push through now, were less of a priority than outright spending cuts.

Linked to the buoyant economy in the west of Germany was a pick-up in inflationary pressures, with the latest cost of living figures showing a year-on-year increase of 2.8 per cent, Mr Pöhl said. Reunification had so far occurred without an acceleration on the price front, he added, but inflation was now showing a "rising tendency".

Cresson: room to salve suburban ills is limited

Trouble in the suburbs provides Cresson's first test

By William Dawkins in Paris

A SERIES of suburban riots, a sharp rise in joblessness and a wave of transport strikes this week provide the first political test for Mrs Edith Cresson since becoming France's new Prime Minister.

Mrs Cresson promised to to give the government a new élan when she came to power two weeks ago. Instead, she has been faced with an outbreak of burning and looting by youngsters in new towns dotted around Paris over the past week.

The incidents, a symptom of one of the most pressing social problems facing the Government, took a tragic turn when a teenage rioter who had asthma died of a heart attack in police custody on Monday.

All this was accompanied by the publication of a 1.3 per cent rise in the number out of jobs in April, to 2.63m, which with the continued economic slowdown - in the first quarter of this year - indicates that joblessness could go on creeping up towards levels only last seen in the Gaullist Government of 1986-1988. On top of this come sporadic pay and conditions strikes on the national rail and Paris buses, metro and suburban trains. A 24-hour stoppage is due today on public transport in the capital and next Thursday on the three state-owned airlines.

Mr Michel Rocard, the former prime minister, has left Mrs Cresson with a difficult hand. Apart from launching the unavoidable inquiry, Mrs Cresson's response has been limited, a reflection of the small room for manoeuvre available to the Government.

The reasons for these suburban outbreaks are as complex as for the other riots to have broken out over the past year in some of the 400 suburban areas certified by the government as being dangerously poor, with higher than average joblessness and immigration.

There is one possibly worrying difference, however. The violence that broke out last weekend west of Paris, at Mantes-la-Jolie, one of France's biggest low cost housing estates, were self-generated, unlike previous outbreaks. The previous two riots of this scale, at nearby Sartrouville in April at Vaulx-en-Velin near Lyon last September both had understandable triggers. The social mixture was already volatile, but it took a violent death in each case, involving police and a security guard, to spark off the explosion.

It is a sad irony that the Government thought of Mantes-la-Jolie, one of the earliest estates of its kind, as a model of imaginative town planning. Its mayor, Mr Paul Picard, was chosen as special adviser to Mr Michel Delebarre, when he was last year given the newly created job of Minister for Cities.

The riots have certainly brought out the human qualities of Mrs Cresson, who wasted no time in visiting the bereaved family, "as one mother to another", in her own words. They could even also help her achieve agreement on a bill, this week receiving its first debate in parliament, designed to avoid the creation of more suburban ghettoes. The plan, tabled in response to last autumn's violence, would oblige the largest cities to make available a fifth of their housing for low income families or pay central government to do so.

The right wing parties are broadly hostile to the bill, which they see as an inadequate response. However, the Communists are likely to abstain, so the minority Government should be able to push the anti-ghetto plan through parliament.

Beyond that, Mrs Cresson's room to salve the ills of the suburban ghettoes is limited by a shortage of cash. Mr Pierre Beregovoy, the Finance Minister, has only just completed a round of budget cuts to cope with the reduction in tax revenues caused by the economic slowdown. So the new Prime Minister will have only her wits to rely on to steer the government through the social challenges it is now facing.

Socialists at centre of Spanish inquiry into election campaign finances

By Peter Bruce in Madrid

SPAIN'S governing Socialist party is at the centre of a new corruption investigation following allegations that bogus companies run by party sympathisers used millions of dollars from Spanish banks and corporations to finance election campaigns.

Mr Leopoldo Torres, the Spanish attorney general, has ordered the audit tribunal, the watchdog of Spanish public sector accounts, to investigate detailed reports published in newspapers yesterday and on Wednesday.

The reports come just months after the deputy prime minister, Mr Alfonso Guerra, resigned following allegations that his brother had used a government building, with his permission, to conduct private business. The brother has since been charged with tax evasion.

According to the newspaper El Mundo, two little-known Barcelona consulting companies, Filesa and Time Export, have been charging large amounts to Spanish companies for research work and have, in turn, paid for films and publicity services for the Socialist party during elections.

El Mundo published billing and payment statements from the two companies which show that Filesa was last year paid $850,000 by the refiner, Cepsa, for a report on petrochemicals in Europe, $800,000 by Banco Bilbao Vizcaya for a report on leasing, $800,000 by Banco Central for research on bank mergers and $1.1m by ABB, the engineering consortium, for research on the Basque Country.

These companies have insisted that the reports exist but they said they were either not prepared to show them or, in one case, that the report had vanished.

Filesa and Time Export employ six people and are owned by Malesa, a holding company founded in 1988. Mr Alberto Flores, who owns 60 per cent of Malesa, is the brother of a Socialist senator and party executive member, Ms Elena Flores. Malesa had previously been partly owned by Mr Carlos Navarro, who runs the finances of the socialist parliamentary party.

Published documents show that Filesa and Time Export earned more than $6m in 1989, the year of the last Spanish general election.

Time Export paid $130,000 to the makers of an election video for the Socialist Party. Filesa also paid $1.5m to Hauser y Menet, and $2.6m to Viso Publicidad. Both publicity companies regularly work for the party and have confirmed receiving the payments.

The government will come under great pressure to make public any findings by the Audit Tribunal. Socialist Party officials have denied any knowledge of Filesa and Time Export.

Swedish discount rate is cut to 9%

By John Burton in Stockholm

SWEDEN'S Central Bank (Riksbank) yesterday lowered its discount rate a full point to 9 per cent in response to sinking market rates following linkage of the krona to the Ecu almost two weeks ago.

The discount rate is nearing its lowest level since 1988, when it was pegged at 8.5 per cent. The rate was last cut in March by a full point. Importance of the discount rate in guiding Swedish interest rates has lessened in recent years with financial deregulation.

Credit rates are now largely governed by the money markets, with the Riksbank allowing the discount rate to follow market trends. The Riksbank plans to link the movement of the discount rate to market rates under a new reference system next year.

The discount rate will be determined by averaging the market rates on six-month treasury bills and five-year state bonds during the most recent quarter, then setting the discount rate at 2.5 points below it, rounded to the nearest half percentage.

● Sweden's high sickness absentee rate – five weeks on average for every worker – may be falling after benefits were cut in March, preliminary government figures show.

The number of workers reporting sick both short-term and long-term fell20 per cent aweek in the two months after March 1.

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WORLD TRADE NEWS

US government praised on new chip agreement

By Louise Kehoe in San Francisco

UNITED States semiconductor industry officials yesterday praised the US government for achieving a new semiconductor trade agreement with Japan offering foreign chip makers opportunities for increased access to the $23bn a year Japanese semiconductor market.

The new agreement, which may be announced as early as next week, contains most of the measures jointly proposed last October by US semiconductor and computer industry groups.

"The US government is backing us all the way," said Mr Wilfred Corrigan, chairman of the Semiconductor Industry Assocition, and chairman of LSI Logic, a US semiconductor company. "We are very confident that the US government supports our position on market access and on dumping."

The new trade agreement, which is aimed at resolving one of the most contentious trade disputes between the US and Japan, replaces a five-year pact signed in 1986, which expires at the end of July.

A draft copy of the new agreement details the terms under which Japan will increase imports of foreign-made semiconductor devices and implement measures aimed at preventing "dumping" of Japanese semiconductor products in the US and world markets.

A key provision of the draft agreement states that: "The government of Japan recognises that the US semiconductor industry expects that the foreign market share will grow to more than 20 per cent of the Japanese market (by the end of 1992) and considers that this can be realised. The government of Japan welcomes the realisation of this expectation."

US industry executives had been determined to see a specific market share target incorporated in the main body of new agreement, and appear to have won the day.

Anti-dumping measures incorporated in the new agreement will be significantly less stringent than those in the 1986 agreement.

The new agreement is to end in July 1994.

Payments risks 'will dog groups operating in Gulf'

By Victor Mallet, Middle East Correspondent

NEW business opportunities exist in the Gulf after the war against Iraq, but with governments spending more than they earn, the 1990s will be dogged by payments risks for companies, a Business International report on the Gulf says.

The report pinpoints water and waste management technology as a neglected sector certain to provide opportunities for foreign companies.

"Many governments in the region seem to have difficulty believing they have a serious water supply problem, being exacerbated by the exploding populations. Tehran will have over 14m people by 2000, Baghdad over 8m. Countries without access to rain-fed systems or desalinated sources of water face an unpleasant future.

"The price of water has already risen, in real terms, in that access is now limited and market prices are high. Water resource management will occupy a higher place on the political agenda of these states."

Oil and gas would continue to provide most of the region's foreign exchange and business for contractors. Much of the oil revenue would be spent on defence hardware, but the accent is likely to switch to internal security.

The report offers a list of winners and losers from the Gulf crisis. Iran, Israel, Turkey, Syria and Egypt, with Bahrain and Dubai and its Jebel Ali Free Zone, are said to be "winners". Losers are Iraq, Kuwait, Jordan, Yemen and the Palestinians. As for Saudi Arabia, "the jury is still out".

The kingdom faces a difficult financial future but shows no sign of any will to prune spending. Saudi Arabia has resorted to foreign borrowing with a $4.5bn (£2.6bn) loan, and Business International says estimates of the country's foreign reserves go as low as $15bn, a tenth of their level a decade ago.

Iran may emerge as a winner because of its prudent stand in the Gulf war, but the outlook for sustained economic growth is regarded as poor, and Iran appears destined to be as dependent as ever on oil and gas.

The Postwar Gulf: new business realities in the Middle East. Business International, 40 Duke St, London W1A 1DW. £345/$625.

Brazil loosens Italy's grip on US shoe sales

BRAZILIAN shoe sales in the US surged during the first four months of this year, threatening Italy's traditional hold on the market, Victoria Griffith reports from Sao Paulo.

Brazil sold $441m (£255m) worth of shoes to the US during the first four months of the year, up 22 per cent on the same period last year.

Mr Horst Volk, president of the Brazilian Shoe Industry Association, ascribed the gains to the improved quality of Brazilian shoes and the US recession, which has taken its toll on consumers' purchasing power. "Our shoes are cheaper than the Italian models, which is an advantage in a recessionary market."

Brazilian shoes, which in April became the country's second biggest export product, are making a big move upmarket.

"We found we could no longer compete with the [Asian] 'Tiger' countries [such as Hong Kong and Taiwan], and especially with China, in making very cheap shoes," said Mr Ivanio Batista, head of the São Paulo Shoemakers' Union. "So we decided to tackle European producers by putting out more sophisticated models."

Total and Elf Aquitaine in Qatar gas field contracts

Total and Elf Aquitaine, the French state-controlled oil companies, have won separate contracts with Qatar for development of the Gulf emirate's North Field gas deposit, writes George Graham in Paris.

Total was already a partner of Qatar Gas and Petroleum Company (QGPC) – along with BP, Mitsui and Marubeni – in the Qatar gas project, which aims to set up a $2bn liquefied natural gas factory to exploit the North Field.

Its new contract covers extraction of gas from North Field, thought to be the world's largest deposit with 4,500bn cubic metres of natural gas, and its delivery to the LNG factory. The French company expects investments to amount to $600m, mostly between 1994 and 1996. The first big customer for North Field LNG, the Japanese utility Chubu Electric, signed up in February for supplies starting in 1997.

Separately, Elf signed an agreement with Qatar for development of an integrated gas project on part of the North Field. Elf, which also owns 10 per cent of the Qatar Petrochemicals Company, will extract 4m tonnes of LNG over 25 years.

Japan hits back at Soviets

Japan's International Trade and Industry ministry (Miti) will not provide trade insurance on big export projects to the Soviet Union because of Moscow's rising overdue payments, a trading company official said, Reuter reports from Tokyo.

Miti has told trading companies it will not accept applications for trade insurance on projects over Y500m (£2m) lasting two years or more, or on projects over Y100m lasting less than two years, the official said. But there would be exceptions. The ministry also plans to double premiums on trade insurance for Japanese projects in the Soviet Union.

A Miti official declined to comment. Overdue Soviet payments to 15 major Japanese trading companies rose to $447m (£258m) at the end of March from $377m at the end of December.

Canada in satellite project

Spar Aerospace will expand and upgrade the Chinese government's satellite communications system under a C$36m (£18m) contract, Robert Gibbens reports from Montreal. Ten new locations will be added and seven existing stations operating on the Intelsat Indian Ocean satellite will be upgraded. Most of the technical work will be done by Spar in Montreal.

Congress set to attack Bush's investment open door

By Nancy Dunne in Washington

THE US Congress is gearing up for an attack on the Bush Administration's open-door approach to foreign investment in strategic US industries.

At the same time, the inter-agency committee which vets such investments, the Committee on Foreign Investment in the US (CFIUS), has reported a big decline in notifications of foreign investment in American high-technology companies.

According to the US Treasury, which chairs CFIUS, notifications of acquisitions dropped in the first four months of 1991 to 48 from 112 in the same period of 1990. The drop was attributed in part to a slowing of direct foreign investment because of the recession.

Furthermore Exon-Florio, the provision in law requiring notification of takeovers which "threaten to impair" US national security, expired last October. That many companies still register stems from the fear that a re-authorised Exon-Florio law will be made retroactive.

The expired law allowed the US government to require divestment of past acquisitions found harmful to US security. This threat led to a rash of registrations of innocuous investments. Mr Brad Larschan, counsel for the Association for International Investment, thinks businessmen may now be using more discretion about what should be registered.

There has been a big decline in notifications of investments in US high-technology companies

In Congress, work is underway on a short-term renewal of Exon-Florio, but its progress has been impeded by a dispute between the Senate and the House over accompanying legislation which would require reciprocity in financial services investment.

At the same time two congressmen, Mr Mel Levine, a Democrat, and Mr Frank Wolf, a Republican, are proposing a strengthening of the Exon-Florio provisions which would require the administration to block a foreign sale if it threatens US economic interests.

Part of their ammunition is a report, produced by the Economic Strategy Institute, a research organisation, which found that of the 540 investments reported to CFIUS in its 2½ years, only 12 were formally investigated and only one resulted in action.

That was the acquisition of Mamco, a small manufacturer of aerospace components, by the China National Technology Import and Export Corporation (CATIC), soon after the Tiananmen Square massacre. "Many believe that the CATIC refusal was politically motivated and thus an easy way for the White House to quiet criticism that CFIUS has no teeth," the report said.

The report recommends levying performance requirements on foreign purchases of key US companies – commitments to keep production and research and development in the US.

Meanwhile foreign investors are growing increasingly uneasy, according to a report to be released by the Group of Thirty, an international think-tank, on June 11.

The report warns of the "increasingly vocal group of politicians on both sides of the aisle" who want a crackdown on foreign-owned firms for reasons of competitiveness and national security.

"Their rationale is a straightforward extension of protectionist thinking from the trade field," it says.

Mitsubishi chief hits at France

MITSUBISHI Corporation's chairman, Mr Yohei Mimura, has said the French government's criticisms of Japanese trade practices are outdated, and has suggested its hostile attitude could handicap France's high-technology industries, Guy de Jonquières writes.

Accusations by Mrs Edith Cresson, French prime minister, that Japan's market was closed, ignored "dramatic" Japanese measures to deregulate its economy and increase access by foreign companies, he stated in an interview.

"I shouldn't say Mrs Cresson's attitude is obsolete, but she is clearly not aware of the current situation. What she refers to could have been the central focus five or 10 years ago. I feel she should be brought up to date."

Mrs Cresson called for formation of European industrial alliances in electronics and cars to fend off the competitive threat from Japan. She recently blocked a proposed investment by NEC in Bull, the French computer maker.

But Mr Mimura said national frontiers had ceased to matter in many high-technology industries. In semiconductors, producers would increasingly be compelled to collaborate; investments would flow where best conditions were offered.

Governments trying to curb Japanese investment would only ensure it flowed elsewhere while denying domestic producers opportunities for partnerships.

● France yesterday sought to play down Japan's protest at Mrs Cresson's attacks, saying Tokyo had a trade dispute with Europe as a whole rather than with the French.

Contractors in export cover row

BRITAIN'S process plant contractors have joined the row over the UK government's commitment to support project exports, by warning that their ability to compete in certain markets could be damaged by reduced insurance cover, Andrew Baxter writes.

The warning reflects the concern among British industrialists about the level of state aid for exporters compared with overseas rivals. Complaints from industry have added to the difficulties faced by the government in its plan to privatise the short-term credit insurance operations of the Export Credits Guarantee Department.

Mr Dennis Twist, chairman of the British Chemical Engineering Contractors Association (BCECA), said contractors were concerned about the consequences for their competitiveness in some export markets of possible reductions in ECGD insurance cover and increases in premiums.

He highlighted the industrialising countries of the Pacific Rim and the Soviet Union, where the availability of competitive finance was "a major factor in determining where orders are placed."

Mr Twist said BCECA members would suffer if their ability to compete in these markets was reduced.

"However there would also be a serious loss of business to the many hundreds of manufacturing companies who depend on us for their export work and who employ far more people than we do," he added.

BCECA said process plant contractors were one of Britain's most successful industries, contributing significantly to exports. The UK industry is the biggest in Europe, employing 20,000 in engineering, and related services.

Ethiopia's new leaders face fresh protests

By Julian Ozanne in Addis Ababa

REBEL SOLDIERS fired over the heads of demonstrators for a second day running in Addis Ababa yesterday, protesting against the US-backed rebel takeover of the capital and Washington support for an interim administration in the Red Sea province of Eritrea.

Unofficial estimates put Thursday's death toll at around 20 but far fewer are believed to have been killed yesterday.

The continuing signs of political discontent in the rebel-controlled city came on the day when another rebel group, the Ethiopian People's Revolutionary Party (which has fighters in Gondar and Gojam Provinces), also condemned the US action.

As opposition grew to the Ethiopian People's Revolutionary Democratic Party, fears were also rising about the possible break-up of Ethiopia into ethnic republics and a violent backlash this would provoke among pro-unity supporters.

Thousands of demonstrators took to the streets again yesterday, kissing and waving the Ethiopian flag and chanting "We are prepared to die for the unity of Ethiopia."

Mr Gebre Zadkan, the EPRDF official in charge of the city, began meeting foreign ambassadors and organising a return to work of government employees.

Several members of the former regime of ex-president Mengistu Haile Mariam, *including a first deputy prime* minister and two major generals, handed themselves over to rebel forces in response to a warning on Wednesday that they had 48 hours to turn *themselves in or face the* "necessary action".

Most shops and offices reopened yesterday, but underneath the superficial normality, tension simmered.

REBEL FIGHTER: machine-gun ammunition wound round his weapon, an Ethiopian rebel takes time off from maintaining order in the troubled capital of Addis Ababa yesterday

US deal on Ethiopia was victory for pragmatism

Success was due to the State Department acting without ideological shackles, **Lionel Barber** writes

AT FIRST sight, the Bush administration's intervention *in the Ethiopian civil war this* week looks like an exquisite piece of diplomatic timing.

Working around the clock at peace talks in London, Mr Herman Cohen, US assistant secretary of state for Africa, not only brokered a ceasefire; he produced an agreement among rebels on a transitional government which, at least nominally, is committed to democracy in Ethiopia.

Though preliminary, the agreements offer the best prospect in memory for ending 30 years of civil war. This is a personal fillip for Mr Cohen. Like most of his career foreign service colleagues at the State Department, he has been kept on a tight leash by his political master, Mr James Baker, US secretary of state – unable to replicate the free-wheeling role played by Dr Chester Crocker, his predecessor in the Reagan administration.

Mr Cohen's confident, almost proconsular demeanour in London nevertheless obscured significant shifts in US policy. These look less the result of a preconceived master plan and more like an ad hoc response to rapidly moving events inside Ethiopia – notably the flight of President Mengistu Haile Mariam to Zimbabwe.

Thus, on Monday night, Mr Cohen announced to reporters that the US was "*recommending*" that the professedly Marxist Ethiopian People's Revolutionary Democratic Front (EPRDF) should take over the capital, Addis Ababa, as soon as possible in an effort to avoid looting and revenge killing.

This invitation was extraordinary but inevitable. Once the original (limited) US goal of securing a ceasefire in the London peace talks was overtaken *by the disintegration of the Ethiopian* army, some swift adjustments had to be made. "What started out as negotiations (between the warring parties) turned into an exercise in damage limitation," said a US official.

This official confessed that, over the weekend, the State Department faced a "nightmare scenario" in which leaderless government troops returning to the capital could have turned on the civilian population – with no central authority to stop them.

In two similar instances in Africa over past 12 months – Liberia and Somalia – the Bush administration stayed on the sidelines, watched the ensuing carnage and ended up sending in the US Marines. This time, the decision was to invite the rebel forces to assume control "as the only organised force in the land".

*One final sign of political sharp*shooting came with US approval for the airlift of the Ethiopian Falasha Jews to Israel. Though consistent with long-standing US support for the principle of freedom of emigration, US officials concede that there was "no immediate evidence" that the Falashas were at risk.

The move to support an airlift was driven largely by pressure from domestic Jewish groups in the US who have elevated the Falashas to the level of Soviet Jewish emigration (This was graphically illustrated by the presence in London of former Republican Senator Rudy Boschwitz who ranks as President Bush's special envoy on the Falashas issue).

Speedy decision-making came at a price. Mr Cohen failed to consult with Mr Tesfaye Dinka, the sitting Ethiopian prime minister, who appeared temporarily to disown the ceasefire. Nor was there time for a proper amnesty to be agreed for former government officials – the kind of step which US officials acknowledge is necessary if harmony is to be restored to the country. The US also reversed long-standing policy backing the territorial integrity of Ethiopia and *expressed support for a referendum in* the northern province of Eritrea, as demanded by the Eritrean People's Liberation Front (EPLF).

This may prove difficult to reconcile with a newly-installed government anxious to preserves historical boundaries, US officials said.

The Bush administration response is that it is looking at the possibility of a federal government model for Ethiopia, *whereby provinces such as* Eritrea would enjoy autonomy instead of demanding outright secession.

During intensive contacts with EPRDF rebels over the past two months, the US has insisted on a democratic government representing all segments of Ethiopian society as the price of badly needed economic aid to help the 7m Ethiopians at risk from starvation.

This may seem an overly idealistic message to a rebel force which until recently proclaimed allegiance to socialism on the Albanian model. But Mr Cohen seems to have calculated that the US will have more leverage over the rebels by taking their recent democratic sentiments at face value rather than dismissing them outright, says Mr Terrence Lyons, an Africa scholar at Brookings Institution. "The US is looking at ways to encourage *the rebels to act as a responsible gov*ernment party acting in the country's interests rather than just a rebel group," says Mr Lyons.

This is a supremely pragmatic approach – not least because Mr Cohen spent months trying to persuade Mr Mengistu of the value of reconciliation and now has swaped horses in mid-stream.

More broadly, the approach is light *years away from the ideological stand* which the Reagan administration often adopted in response to Soviet and Cuban forays into Africa, through proxy wars in Namibia, Angola and Ethiopia over the past two decades.

This week's ceasefire ceremony in Lisbon, heralding an end to the 16-year-old civil war in Angola, is one more sign that Africa is no longer a cold war playground.

The US is well-placed to take advantage of this shift, and this week's diplomatic intervention in Ethiopia suggests a willingness to do so. But shepherding democracy and economic recovery in Ethiopia remains a task for the long haul, requiring patience and resources which successive administrations and the US Congress have not always reserved for Africa.

Jordan on the rebound after Gulf conflict

By Tony Walker, recently in Amman

WHEN Jordanian officials briefed reporters on the state of the economy at the height of the Gulf crisis they tended to paint a very bleak picture indeed of their country's economic woes, even at the risk in light of subsequent developments of being accused of crying wolf.

Jordan was facing ruin, losses in 1990-91 due to the crisis would reach \$3.6bn, its markets in the Gulf had disappeared, tens of thousands of its citizens working in Kuwait had been deprived of their funds, and its sources of aid had all but dried up.

Now things are returning to normal, it is clear that Jordan suffered less than might have been expected and is in a reasonable position to rebound *from its recent misfortune*, although it faces a testing time.

Jordan has been promised or has actually received emergency assistance in the form of soft loans and grants *totalling* about \$1.1bn since the beginning of the Gulf crisis, much of it from Japan and the European Community.

Its cash reserves of about \$1bn are at their highest level since 1987 and the dinar has been remarkably stable since last August. In fact, the dinar's official rate has at times been higher than that available on the black market.

The recent performance of the stock market, which rebounded sharply in March, suggests that confidence is returning, albeit relatively slowly. There are also signs of increased activity in the construction sector thanks to the influx of tens of thousands of Jordanians, many of Palestinian origin, who were obliged to return home from Kuwait and elsewhere in the Gulf.

Jordan's population of about 3.5m swelled by 10 per cent during the crisis and many returnees will not be able to go back to the Gulf.

Their presence in Jordan has further exacerbated an already critical unemployment problem. Local economists estimate (there is no official figure) that unemployment among adult Jordanian males has reached 24 per cent, compared with 16 *per cent before the crisis*.

With about 1m Jordanians or one-third of the population living below the poverty line, according to a recent survey, lack of employment opportunities seems certain to continue to be the biggest challenge facing Jordan this decade.

Mr Michel Marto, the deputy governor of the central bank, estimates *that GNP decreased* by 10 per cent in real terms in 1990 due to the crisis. He expects recovery to be relatively slow and painful.

"We are trying to revive the economy," he says, "but *it is* not easy. We do not want budget deficits, we are not printing money to create jobs. We are trying to encourage investment again and we are trying to open new markets."

Unemployment may present the biggest challenge, writes Tony Walker

An IMF agreement, negotiated in 1989, lapsed *with the onset* of the Gulf crisis. Negotiations on a new agreement are expected later this year. Jordan is certain to be required to institute further austerity.

IMF medicine is likely to include, apart from the usual demands for reductions in subsidies on foodstuffs and increases in energy prices, a requirement that Jordan introduce new revenue-raising measures such as a new sales tax, and perhaps increase import duties.

The good news for Jordan is that since UN sanctions against Iraq were eased earlier this month its Aqaba port, one of the main conduits for food supplies to Iraq, is active again.

Jordan, with a \$900m credit balance in its favour with Iraq in a special central bank trading account is well placed to take advantage of pent-up Iraqi demand for commodities.

Jordan is also looking to a repatriation of funds from Kuwait once the emirate gets back to normal. Mr Marto said that before the Gulf crisis, about 100,000 Jordanians worked in Kuwait.

Mr Marto sees the securing of new markets as crucial to Jordan's recovery. "We are *hard-working people*," *he says*. "We will have to do more exports, and this means trying to find new markets."

Saudis baulk at foreign bases

By Mark Nicholson

PRINCE Khaled bin Sultan, the Saudi Arabian commander of Arab forces in the Gulf war, has said he sees no need for foreign ground forces to be based on Saudi soil given the diminished Iraqi threat.

In a rare public statement of Saudi security policy, Prince Khaled said that the kingdom would concentrate on its own "*ambitious military development plan*" rather than rely on foreign military support.

Prince Khaled's remarks, made in an interview with the London-based Mideast Mirror, are the kingdom's most definitive on future Gulf security and further unravel the Damascus declaration, signed by Egypt, Syria and the Gulf states on March 6, which envisaged the deployment of Egyptian and Syrian forces in the region as the "nucleus for an Arab peace force".

However, the Prince's remarks *will be greeted with* little surprise in Damascus or Cairo. Egypt had already sounded a death knell for the March 6 declaration last month by deciding to withdraw its *35,000 troops from Kuwait*, apparently in anger at the emirate's preference for continued US protection.

Although Prince Khaled said that a continued allied naval and air presence "may be required to a certain extent" in the Gulf, he said "there is nothing to justify" the presence of foreign ground forces *given that Iraq can present* only a "very limited" threat.

He added that Egyptian and Syrian forces had shown themselves capable of swift deployment to the area.

China under attack over trials

By Yvonne Preston in Peking

THE PAST six months have seen the biggest wave of dissident trials since the violent suppression of the pro-democracy movement almost two years ago, the human rights group Asia Watch, reported yesterday.

The findings of the US-based organisation come at a highly sensitive time for the Chinese *government, with the second* anniversary of the bloody crackdown of the Tiananmen massacre only four days away. Asia Watch claims the great majority of those arrested are still unaccounted for. *It says* the trials lacked any due process of law and many were held in secret.

The government's sensitivity and paranoia have been compounded this week by signs that, despite the brutal repression, the pro-democracy movement is still alive.

Students at Peking University launched a small but significant protest on Tuesday to mark the June 4 anniversary, hanging posters in memory of people killed.

However, the authorities yesterday issued a statement saying that reports of university protests were groundless.

Meanwhile, fugitive leaders of China's pro-democracy movement in the US have appealed for a dialogue to be reopened with Peking.

A lengthy letter signed by more than 30 exiled Chinese will be posted to China's prime minister, Li Peng, on June 4.

In Tuesday's student action leaflets were also distributed denouncing the 1989 crackdown and attacking China's bureaucratic system.

NEWS IN BRIEF

Sri Lanka expels UK envoy after poll row

SRI LANKA has declared the British high commissioner, Mr David Gladstone, persona non grata, the government said yesterday, Reuter reports from Colombo.

It said Mr Gladstone exceeded normal diplomatic functions by entering a polling booth during local council elections on May 11 and making a statement in a police station alleging poll irregularities. "Mr Gladstone's conduct was an unwarranted interference *in the internal affairs of Sri Lanka*," *the statement said*. The government would no longer deal with Mr Gladstone, but with his deputy in the Colombo high commission, it added. In London, the British Foreign Office said it saw no grounds for Mr Gladstone's expulsion.

Donors pledge sharp aid boost for Bangladesh

FOREIGN donor countries have promised a substantial increase in aid to Bangladesh next year after a meeting at the World Bank in Paris yesterday, reports George Graham froim Paris.

Aid pledges for the 12 months running to June 1992 *totalled \$2.3bn, 28 per cent* more than was promised a year ago, when donor countries scaled back their aid dramatically in protest at economic mismanagement by the then *government*, which was replaced in February after free elections.

The amount matches the World Bank's estimate of Bangladesh's external financing needs: even with optimistic forecasts of growth and national savings, the multilateral financing body expects Bangladesh to need \$9bn in external assistance between 1991 and 1995.

Mr Saifur Rahman, Bangladesh's finance minister said he hoped for further aid to finance the cost of rebuilding the coastal areas *of* Bangladesh devastated last month.

Pakistan in effort to streamline tax collecting

PAKISTAN'S government yesterday announced steps to loosen bureaucratic controls over the country's intricate tax system, Farhan Bokhari reports from Islamabad.

Mr Sartaj Aziz, the finance minister, in his budget speech to the National Assemblyintimated that the new government of Mr Nawaz Sharif wanted to simplify taxation procedures and reduce the authority of taxation officers to make decisions on their own *assessments in an effort to* stamp out corruption and arbitrary procedures.

The budget for 1991-92 forecasts current expenditure of Rupees 185.6bn (£4.4bn) against revenues of Rupees 153.4bn.

The government did not attempt to cut back Pakistan's large military budget, nor did it introduce taxes on agriculture, both issues economists had hoped it might tackle head on.

Pakistan is expected to spend almost Rupees 71bn on national defence, 11 per cent *up on last year in nominal* terms.

Unita leader Jonas Savimbi arrives to sign the Angola peace pact

Engine centre of Lauda inquiry

A preliminary investigation into the Lauda Air disaster indicates that engine failure may have caused the Boeing 767 to crash, an international aviation expert close to the inquiry said yesterday, AP reports from Bangkok.

But the US company that made the aircraft's engines discounted that assessment and said the engines had been checked and found to be in good condition shortly before the flight.

"We expected to see a larger area of debris," said Mr Don Smith, regional manager for the US Federal Aviation Administration based in Singapore.

"If it had been an explosive device you would expect a larger area of debris," Mr Smith said.

Hurd condemns Burma abuses

Mr Douglas Hurd, the British foreign secretary, yesterday drew attention to the continuing abuses of human rights in Burma and called upon other countries in South-East Asia to exert pressure on the Burmese government to adopt more humane policies, writes Robert Mauthner, Diplomatic Editor.

"The European Community has repeatedly expressed its concern at the continuing abuse of human rights in Burma and at the failure to transfer power to MPs democratically elected in 1990," Mr Hurd told a joint meeting of EC and South-East Asian foreign ministers in Luxembourg.

China resumes Pretoria links

China, which has long condemned white domination in South Africa, said yesterday it had started non-governmental exchanges with the republic and would normalise relations once apartheid was abolished, Reuter reports from Peking.

"Along with the positive changes in the situation in South Africa, some of China's non-governmental organisations have begun exchanges in South Africa," said a foreign ministry statement.

"We express our welcome to the positive changes in *South* Africa in the past year and we hope that the system of apartheid will be abolished completely in South Africa at an early date."

Australia growth figures beat forecast

By Kevin Brown in Sydney

AUSTRALIAN gross domestic product grew by 0.1 per cent in the three months to March, giving tentative support to government claims that the economy is beginning to recover from recession.

Figures released by the government statistics office also confirmed that inflation remains on a downward path, and is likely to fall from 4.9 per cent to below 4 per cent by the end of the year.

However, the government admitted in a separate statement that unemployment was likely to reach a post-war record of 10.75 per cent later this year, and warned that the federal budget deficit will reach at least A\$4bn (£1.75bn) next year.

The growth in GDP during the March quarter surprised economists, who had expected the economy to contract. GDP grew by 0.3 per cent in the three months to December, revised from 0.6 per cent, but contracted in the previous two quarters.

Mr Paul Keating, the federal treasurer, said the figures showed Australia was "beginning to make the transition to steadily expanding output and employment".

However, most of the growth came from an increase of 0.7 per cent in net exports.

The domestic economy, measured by gross national expenditure (GNE), contracted by 0.6 per cent during the quarter.

GNE has now fallen for four consecutive quarters, and is 5.3 per cent below the level of *March 1990, the biggest annual* rate of decline since the year to December 1961.

Most analysts said the figures showed the economy remained weak, and was unlikely to be on the verge of a recovery. There was also concern that the relative strength of net exports might reflect the weakness of the economy.

"Some of the strength in net exports reflects the weakness in private spending as households and businesses cut back sharply on their purchases of imports, while domestic producers are unable to sell their output domestically and are forced to seek markets offshore," said Mr Stephen Miller, senior economist at Bankers Trust.

In an unusual move, Mr Keating also released forecasts showing that the government expects the economy to grow by 3.75 per cent in the next financial year, which begins in July.

However, the federal budget will be in deficit by at least A\$4bn, following a forecast surplus of A\$1.7bn in the current year, and a surplus of more than A\$8bn last year, he said. The forecasts, which would normally have been delayed until the federal budget in August, were released to put pressure on the leaders of the six state governments, who will meet the Treasurer today for an annual round of negotiations on transfers from Canberra.

Mr Keating has undertaken to maintain grants in real terms, but is anxious to persuade state governments to *help maintain downward pres*sure on inflation by restricting increases in their own charges and taxes.

● Because of the leadership challenge by Mr Paul Keating, the Australian cabinet yesterday postponed a crucial decision on a proposed gold mine at Coronation Hill, in the Northern Territory, on land which some Aborigines say is a sacred religious site.

AMERICAN NEWS

Fall in consumer spending deals blow to US hopes

By Michael Prowse in Washington

US CONSUMER expenditure faded in April after two months of strong growth, undermining hopes that revived personal spending would pull the economy out of recession.

A separate report showing a 1.2 per cent rise in sales of new homes last month indicated that the tentative spring revival of the US housing market might also be losing momentum.

Personal consumption spending fell 0.1 per cent last month, having risen by 0.8 per cent and 1.1 per cent in February and March. After allowing for inflation, consumption expenditure sank 0.3 per cent.

The stalling of consumer spending tallies with the findings of consumer confidence surveys. Confidence shot up following the Gulf war but has fallen back as consumers' focus switched to domestic trends such as falling employment.

Yesterday's report also showed a weakening of personal income, which rose by only 0.1 per cent in April after increases of 0.2 per cent and 0.4 per cent in February and March. Disposable personal income fell 0.2 per cent after allowing for inflation.

Personal savings rates have fallen – from 4.5 per cent of disposable income in December to 3.7 per cent in March – allowing consumption to grow faster than income. Little scope remains, however, for squeezing the savings rate.

The housing figures fit the same pattern of faltering recovery. Sales of new houses were running at a seasonally adjusted annual rate of 500,000 last month, nearly 21 per cent above the trough reached in January, but nearly all the increase occurred in February. Sales of new homes are 6 per cent below the average level of last year and nearly a quarter lower than in 1989.

Peru harnesses peasant power to combat guerrillas

Sally Bowen reports on the army's latest initiative in the 11-year war waged by Shining Path

A group of armed ronderos patrol in the Andes

RAGGED BANDS of weather-beaten peasants toting makeshift weapons now patrol the dirt roads around the Andean towns of Ayacucho and Huanta, until recently controlled by Peru's principal guerrilla movement, Sendero Luminoso (Shining Path).

The 11-year guerrilla war has so far claimed the lives of over 22,000 Peruvians, many of them defenceless peasants. The fight against this Maoist guerrilla organisation has crippled an already sick economy, with costs estimated at about $18bn (£10.4bn) almost matching Peru's external debt.

Conventional army attempts to counter the subversives' bloody hit and run tactics in which police, military and any ordinary people who resist their demands are ruthlessly assassinated, are widely agreed to have failed. "Civil defence groups, or rondas, are now the axis of our strategy," said an Ayacucho army captain.

The army reckons it now controls 600 rondas operating in the departments of Ayacucho and Huancavelica, with another 150 or so in the Apurimac Valley further east on the jungle fringe. All able-bodied males between the ages of 15 and 70 have to join.

Arming the rondas is now government policy. Already 6,500 shotguns have been issued to peasant rondas in the central Andean region around Huancayo, where Sendero has become powerful. More guns will follow, President Fujimori has promised.

For several years, ronderos have made their own guns, hewing rough wooden stocks and fitting barrels made from plumbing pipes. But chronic lack of cash has recently led to some ingenious if alarming improvisations.

Outside Huanta, at the frequent rondero-manned roadblocks where travellers' credentials are carefully checked, canned fizzy drinks lay in a pile on the ground.

But it transpired these innocuous-looking cans were home-made bombs with a five-second fuse, packed with explosive and nails. The local army base manufactures these primitive bombs.

Joint army-rondero operations are perceived by many as the only workable option. "Sendero had become the law around here, and we cannot permit that," said Jorge. "The military on their own cannot identify the subversives – it's essential for us to act together."

The desperately under-funded and ill-equipped Peruvian army agrees. "The peasants have to learn to defend themselves," said an Ayacucho army spokesman.

So far the strategy seems to be working. The town of Ayacucho, which has been governed under emergency powers for years, is back under civilian control – at least in theory. An "armed strike" called by Sendero to celebrate their 11th anniversary on May 18 passed off peacefully – unlike Wednesday's armed strike they organised in Lima which left two dead.

The army organised a counter-demonstration of civilian strength two days later, when some 1,000 ronderos paraded around the main square.

The regional prefect and the local police say Sendero cells within the town have been rooted out. The subversives have taken to the remote hills and inaccessible valleys east towards the jungle, from where they launch sporadic attacks.

Yet the battle against subversion is far from won. Sendero's anniversary strike call was unanimously observed in Ayacucho. "We're afraid of reprisals," said one local woman. "Not today when the army is out in force but next week or next month, who will be around to protect us?"

Statistics show she is right to be wary. The Peruvian senate commission on Pacification reports 2,129 confirmed deaths from terrorist violence in the first nine months of the Fujimori administration alone, and suggests the true figure could be much higher.

For the moment, the central sierra is effectively at war. Local Ayacucho deputy Alberto Valencia, reflects the views of many when he argues, "Nothing short of a military solution will work against terrorists who were recruited at age 12 and are now 23. There's no chance of rehabilitating them."

Charges of human rights abuses by the army continue to cause concern, however. For four successive years Peru has a high number of recorded "disappearances."

"Sendero investigate and decide who to kill – they may be common criminals, rapists or informers, but there's always a reason," said a human rights worker in Ayacucho. "But when teachers or women disappear, then it's the army."

Both church and human rights groups fear the consequences of arming the peasantry. "It just increases militarisation," one church leader said. Reports of bloodthirsty attacks by one community on another under the pretext of eliminating "subversives," are disturbingly frequent. And Cesar Sulca, the regional prefect, asks: "Will ronderos be prepared to lay down arms and live within the constitution once subversion is defeated?"

Drug lord sets out demands

By Sarita Kendall in Bogotá

LAWYERS representing Mr Pablo Escobar, chief of the Medellín cocaine cartel, have begun to discuss specific conditions for his surrender to the Colombian authorities, according to local press reports.

These are said to include the departure of the heads of the national police and the security police – the two men who have hunted Mr Escobar most energetically – and the "legalisation" of his drug-based fortune.

Drug-terrorist charges, such as involvement in the murders of Mr Rodrigo Lara, justice minister, and Mr Guillermo Cano, newspaper editor, must also be dropped, according to the lawyers. Mr Escobar also wants to be sure he will be safe in prison. Work is going ahead on a special prison in the hills outside Medellín.

The removal of the two police generals leading the anti-drug fight has been the subject of speculation for some time.

Mr Escobar may hand himself in at the beginning of July, when the constitutional assembly, which is fashioning a new constitution for the country, finishes. To take advantage of the government's offer of no extradition and reduced sentence, Mr Escobar must confess to at least one drug-connected crime.

For many Colombians, jailing Mr Escobar would represent the end of drug terrorism.

Mexico seeks to join OECD

By Damian Fraser in Mexico City

MEXICO is to seek full membership of the Organisation for Economic Co-operation and Development, according to the OECD secretary-general, Mr Jean Claude Paye.

Mexico's decision to seek membership of the OECD confirms the country's liberal direction in economic policy, and its desire to be treated as a member of the "First World". In 1986, Mexico joined the General Agreement on Tariffs and Trade after a decade of bitter controversy. This year it has become a shareholder in the European Bank for Reconstruction and Development.

Mr Paye said that the recent economic reforms in Mexico were "impressive" and that he was struck by the "determination, strength and seriousness with which they were implemented". However, he indicated that Poland, Czechoslovakia and Hungary were all likely to be admitted to the OECD before Mexico.

● A Mexican drug lord who took control of a prison in a shoot-out that left 18 people dead surrendered yesterday after a two-week siege, AP reports from Matamoros.

Oliverio Chavez Araujo and one of his followers were flown to Mexico City aboard a jet from the federal attorney general's office.

The prison siege had embarrassed the Mexican government by turning a spotlight on Chavez's drugs empire.

Neil Bush in $49.5m S & L settlement

By Peter Riddell, US Editor, in Washington

MR Neil Bush, one of President Bush's sons, and 10 other former directors and officers of the failed Silverado Savings and Loan of Colorado, have tentatively agreed to pay $49.5m (£28.6m) to the federal government to settle a $200m lawsuit over its collapse.

The settlement covers the government's allegations of gross negligence in the collapse of Silverado, which is likely to cost US taxpayers about $1bn.

The Silverado affair has been an embarrassment for the White House. Although he was only a fringe participant, Mr Neil Bush's involvement has come to symbolise the lapses and excesses which contributed to the whole savings and loan collapse and rescue – the most expensive in US history.

The federal authorities charged that Mr Bush, an outside director of Silverado from 1985 to 1988, had improperly approved a loan to a business partner and had not disclosed his business relationship with another large borrower from the savings and loan.

Separately, the Office of Thrift Supervision, the main Federal regulator of savings and loans, last month ruled that Mr Bush had exposed himself to a conflict of interest because of his involvement in loans to business associates. It issued an order barring him from violating bank or thrift regulations if he ever again served on the board of a financial institution.

Mr Bush has always maintained he did not do anything wrong when a Silverado director. He has not decided whether to appeal against the ruling by the Office of Thrift Supervision.

To add to his embarrassment Mr Bush was this week thrown out of an amateur tennis tournament for alleged cheating. He is said to have broken the rules by playing in a division far below his rated ability.

Neil Bush: barred from tennis tournament

Under the proposed settlement of the main claim against Mr Bush and other directors and executives of Silverado they will pay $26.5m to the Federal Deposit Insurance Corporation, which is having to meet the cost of the failure.

Much of the payment is likely to come from insurance cover. In addition, the 11 will turn over to federal authorities a $23m legal defence fund which they set up in 1986 using Silverado's money.

The FDIC's suit claims that Mr Bush and other directors failed to oversee Silverado's operations, claiming they "deferred excessively" to its management and failed to correct risky practices in spite of criticism from regulators. The federal authorities also allege that Silverado's top officers received excessive compensation, money was diverted to personal uses and phoney land appraisals were used.

The FDIC is also negotiating over a separate $20m settlement with Coopers and Lybrand, the accountancy firm, over its audit of Silverado's accounts.

UK NEWS

LOANS FOR SMALL COMPANIES

Credit institute proposal gains government support

By Charles Batchelor

A CREDIT institution to provide low-cost long-term loans to small and medium-sized businesses may be set up by the government.

The idea of the credit institute has been modelled closely on the Kreditanstalt für Wiederaufbau in Germany which reinvests Marshall Aid money supplied by the US after the second world war.

The proposal for the creation of a long-term credit institution has met with an encouraging response from the Treasury, and the Department of Employment, which is responsible for small companies policy.

A growing number of backbench Tory MPs are also in favour of the proposal, according to Mr Michael Grylls, MP, chairman of the Conservative party's backbench trade and industry committee.

Mr William Poeton, president of the Union of Independent Companies (UIC), says the depth of the recession and the fact that banks are increasing interest rate charges at a time of falling rates has given an added urgency to the issue.

"The government is now taking this matter very seriously," said Mr Poeton, who represents medium-sized manufacturers. "I am confident that plans for such an institution will appear in the next election manifesto, if not before."

However, Mr Eric Forth, the minister responsible for small companies, said this was only one of several proposals being considered and that it "would not happen immediately".

The UIC, backed by the Small Business Bureau, which is the Conservative party's small business organisation, and other small business lobby groups, believes that a long-term credit institution would allow small businesses to plan their finances over the longer term.

The institution would be set up with £200m of government funding and a charter to borrow up to 15 times that amount, equivalent to £3bn.

It would lend funds to banks at half a percentage point below the London interbank offered rate (Libor), for them to lend on at half a percentage point above Libor for periods of up to 10 years.

The one point margin would cover administrative costs and the risks involved.

As part of the proposal, the banks would have to drop their practice of taking out a floating charge on the assets of the businesses to which they lend.

A floating charge applied to any asset in the business made it more difficult for bank customers to raise finance from other sources and meant the banks could be less rigorous in their assessment of the business, said Mr Grylls.

The aim of the credit institute is to encourage banks to make longer-term commitments to their customers and to look more closely at the underlying businesses rather than at the assets and the security they provide.

At present much lending is in the form of overdrafts which can be recalled immediately.

Merger clearance casts doubt on tough acquisitions policy

By Robert Rice, Legal Correspondent

THREE UK acquisitions by foreign state controlled companies were among six mergers cleared yesterday by Mr Peter Lilley, the trade and industry secretary.

The clearance of the three *deals without a full investigation* by the Monopolies and Mergers Commission casts further doubt on the viability of the government's tough policy stance on acquisitions by overseas state-controlled companies.

Only one of the five mergers involving foreign state controlled companies which have been referred to the MMC since Mr Lilley announced the government's new policy last July has been blocked, and that acquisition – Kemira Oy's bid for ICI Fertilisers – was blocked mainly on competition grounds.

The so called "Lilley doctrine" is not dead yet, however. The trade secretary is expected to mount a staunch defence of his policy for preventing "nationalisation by the back door" in a major speech on government competition policy next month.

The three acquisitions by foreign state-controlled companies which got the go-ahead yesterday were:

- The proposed £111m acquisition by Allied Irish Bank, the Irish state-controlled bank, of TSB Group's 56-branch Northern Ireland network;
- a joint venture between Société Nationale Elf Aquitaine, the French state-controlled oil group and Engelhard Corporation of the US;
- the proposed acquisition by a joint venture between Neste Oy, the Finnish state-controlled oil company and Oy Uponor of the Aldyl gas pipe and fittings business of E I Du Pont de Nemours.

Two of the other three deals stem from the government's controversial move to privatise the Insurance Services Group, the short-term export credit insurance arm of the Export Credits Guarantee Department.

Britain to fight imposed European currency

The following is an edited text of the speech yesterday by Mr Norman Lamont to the Royal Institute for International Affairs:

From the first the UK has approached the question of European economic and monetary union (Emu) with considerable caution; and rightly so, in view of the historic nature of the changes proposed.

The government has made it plain to our European partners that we cannot accept any changes to the Treaty of Rome that would bind us to move to a single currency or single monetary policy without a separate decision by the UK government and parliament.

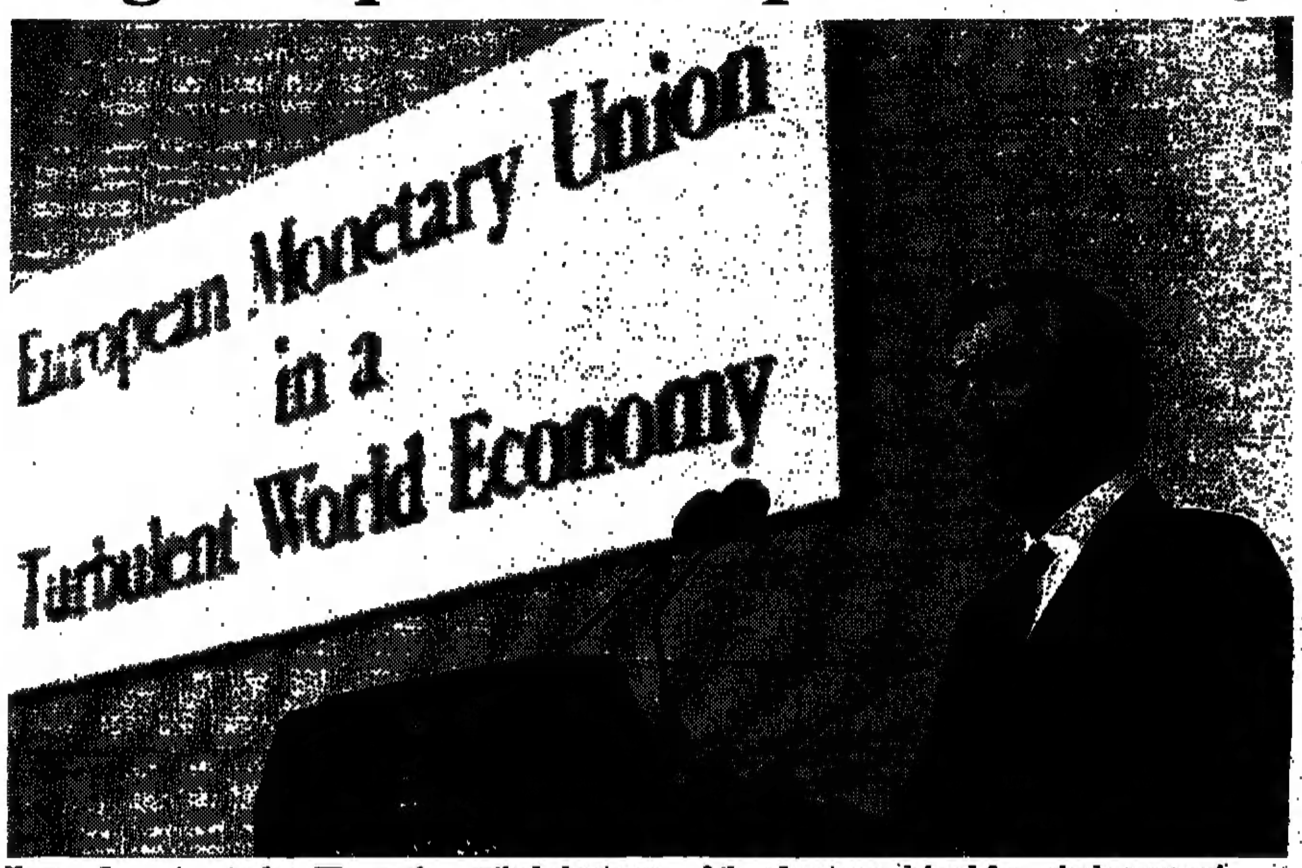
But our rejection of the imposition of a single currency and a European central bank also stems from our view that monetary union should not be prescribed by the centre or by governments; rather it should be market-based and market-driven.

We remain sceptical about many of the advantages claimed for a single currency. It would be easy to overstate the extent of the reductions in transaction costs which would be available, since financial liberalisation and technological change will reduce such costs in any event. The European exchange rate mechanism has already gone a considerable way to reducing exchange rate risk within the EC.

At present, economic divergences in the EC remain considerable. Among member states, inflation rates range from 2¼ per cent to 21 per cent; short-term interest rates range from 9 per cent to 19 per cent; budget balances range from a surplus of 1 per cent of GDP to a deficit of 17 per cent; and unemployment rates range from 1½ per cent to 16 per cent.

Against that background, a premature move to a single *European currency* would have severe consequences. If a future European central bank pursued the rigorous and sustained monetary policy required for the achievement of price stability, there would be a heavy cost for the less prosperous regions of the community. They might become increasingly uncompetitive, and face a sharp rise in unemployment.

EMU involves a number of difficult issues. But it is important to remember that we are not negotiating on whether the Community should adopt a single currency now. Any such decision is a long way down the road.



Norman Lamont yesterday: 'We remain sceptical about many of the advantages claimed for a single currency'

Our participation in these negotiations has been, and will continue to be, constructive. I believe that there is a basis for an agreement which meets both British concerns and the aspirations of our Community partners, and keeps all member states moving forward together. Our approach is therefore evolutionary and market-driven.

It seeks to build on what we have already achieved. Our proposals concentrate, not on whether there might some day be a single currency, but on what action we can take now to promote economic convergence within a market-based framework. This means focusing not on stage 3 - a hypothetical single currency and central bank - but on the practical steps the EC can take in stage 2.

It is this pragmatic concern that underlies our hard Ecu proposals. I am happy to rebut suggestions that we are "abandoning" the hard Ecu. On the contrary, the ideas which led us to put forward our proposals are making some headway with our partners. A consensus appears to be emerging – evident for example in draft Treaty texts from Spain and Germany – that some mechanism to harden the Ecu is desirable in stage 2.

Of all the proposals that have been put forward for stage 2, ours offers the strongest anchor against inflation. Each member state would have a real incentive to pursue an anti inflationary strategy as powerful as the best in the community. The development of the hard Ecu would be driven by the market. Market pressures would encourage convergence, not on the average inflation performance, but on the best.

Another issue is what degree of convergence would be required before the start of stage 2. Some member states are of the view that stage 2 should start automatically on January 1 1994, while others believe that the start of stage 2 should be subject to the achievement of greater convergence. The UK is very wary of setting deadlines without regard to convergence. Along with a number of other countries, the UK believes that a brief period of convergence of inflation rates would not be enough before moving to stage 3. Convergence would need to be sustained for some time, and reflected in inflationary expectations.

A further issue is that of fiscal policy in a monetary union. We have expressed our concern that monetary union might lead to pressure for the formulation of an EC fiscal policy. We regard legally binding fiscal rules as unnecessary and undesirable. We ourselves are committed to a sound fiscal policy – budget balance over the cycle. And as a member of the community, we also participate in a process of discussion of the fiscal positions of member states.

Some have suggested that the conclusions of last year's discussions in Rome – from which we dissented – imply the establishment of a European System of Central Banks in stage 2. Given our scepticism about stage 3, we see no need to set up a central bank in stage 2. Of course, if the decision were ever taken to move to a single currency, it would be necessary to set up a European central bank. So it is right that the intergovernmental conference on Emu should discuss the structure and institutional arrangements for such a bank.

We will need to decide how external exchange rate policy would be formulated and implemented if there were ever to be a single currency. It is clear that both the council of EC finance ministers and the ESCB would have to have a role; but the exact balance between the two has yet to be determined.

There is concern about the possibility of a two-speed Europe – that some less prosperous member states would not be in a position to move to stage 3 at the same time as their more prosperous partners.

Certainly the idea of a two-tier community is one to be avoided. Indeed, one of the advantages of our hard Ecu proposals is that no such divisions would occur – member states would be able to move forward at their own pace, but within a common framework.

What this long list of issues illustrates is that there is no point in using what some commentators have called the "British question" as an excuse to avoid the really difficult questions. This is certainly not the most problematic or contentious issue before the IGC.

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UK NEWS

Northern Ireland talks threatened by public row

By Ralph Atkins in London, Kieran Cooke in Dublin and Our Belfast Correspondent

THE British initiative to bring Northern Ireland's political parties to the negotiating table yesterday descended into a fractious public row over the selection of an independent chairman, taking pessimism about the province's political future to a new low.

Mr Peter Brooke, Northern Ireland secretary, is expected to fly to Dublin today for urgent discussions with Mr Gerry Collins, Irish foreign minister, in an attempt to rescue his 16-month initiative from collapse.

Unionist leaders' tempers flared after the disclosure that they had rejected the appointment of Lord Carrington, former British foreign secretary, to chair the second strand of the planned talks when the Irish government would enter negotiations.

Mr James Molyneaux and the Rev Ian Paisley, leader of the Ulster Unionist and Democratic Unionists respectively, said Lord Carrington's record on Northern Ireland was "deplorable" and said he had "arranged the sell-out of Rhodesia".

Other Unionists cited Lord Carrington's memoirs, "Reflect on Things Past," published in 1988, in which he said a visit to Northern Ireland impressed him "most unfavourably with the bigotry and insobriety of a lot of the fairly senior people in Ulster politics whom I met".

Lord Carrington: rejected by unionist parties

Mr Ken Maginnis, Ulster Unionist MP for Fermanagh and South Tyrone, said: "We have always felt that the Foreign Office was the architect of our misfortunes in that it formulated the Anglo-Irish Agreement. "He is sufficiently close to the Foreign Office point of view to be unacceptable to us."

There was, however, initial confusion within the Unionist parties which favour strengthened links with Britain about what line was being taken – leading to claims from their opponents that the Unionist leaders were becoming divided from their colleagues.

The Ulster Unionist party also back-tracked on an earlier declaration that it was temporarily pulling out of talks.

Mr Brooke appears to have rejected as impractical a suggestion that he should compile a slate of candidates and is concentrating on looking for one name acceptable to all Northern Ireland's political parties.

Unionists claimed both governments had rejected several names and so it was wrong to throw blame on them for opposing one. Mr Brooke appears determined to continue his efforts, whatever the odds of success, saying: "We have not tested infinity yet".

In Dublin, meanwhile, Mr Charles Haughey, the Irish prime minister, said his government would be willing "to take any action" to get the talks underway.

The nationalist Social Democratic and Labour Party continues to boycott meetings until procedures for strand two have been agreed. Members of its delegation are expressing frustration at Mr Brooke's failure to reach an accord.

Mixed blessings await south of the border

Juliet Sychrava reports on problems following the Scottish electricity privatisation

SCOTTISHPOWER and Hydro-Electric, the two Scottish electricity companies, have well-founded reservations about next month's flotation – dealings in shares start on June 18.

The new competitive market in electricity could well prove a mixed blessing for them. It gives them the great opportunity of selling excess electricity south of the border. But because they are vertically integrated – they both generate and distribute electricity – they also face some serious challenges.

Their distribution business has far less intrinsic growth than that of the 12 regional distribution companies of England and Wales which were floated last year. This will be the last of the UK government's big privatisations.

The Scottish companies are only allowed minimal price increases for domestic and smaller customers, while the loss of any large industrial customer is more serious than it would be for any of the regional companies, which lose only the small margin on selling on power they buy from other companies.

Alan Stewart: government minister at the share price launch

The Scottish companies fear a price war over large customers. "Competition," says Mr Ian Preston, chief executive of ScottishPower, "is the biggest uncertainty of all. We have already faced severe competition in the industrial sector. Last year there were price cuts of up to 15 per cent, and that pressure will continue."

Mr Roger Young, chief executive of Scottish Hydro-Electric, agrees. "Scotland is an oversupplied market, and that is an opportunity for us. But like every oversupplied market, it is unstable."

Mr Alan Stewart, the Scottish Office minister, was not so forthcoming. At a press conference yesterday to launch the public offer, he declined to say how many of the total 3.6m registrations of interest had come from Scotland.

But it is understood that about 900,000 of the companies' 2.3m customers have registered for shareholder incentives, raising hopes that more Scottish people will apply than in past privatisations.

Those who receive shares can expect an average dividend yield of 5.1 per cent. The terms value ScottishPower at £1.96m and Hydro-Electric at £920m.

The two companies are, however, particularly vulnerable to competitive price-slashing because there is no electricity pool in Scotland to set a floor for prices negotiated with large customers.

Other problems will emerge. At present the two companies are allowed to charge customers a fixed amount - as part of the unit price of electricity - to reflect the costs of generation.

If they generate more cheaply, they can keep the difference. Over the next few years, generating costs are likely to fall - which will mean more profits. But after 1994, the generation component of the price to customers will be linked to prices in the pool in England and Wales, which may be lower.

Getting into the market in England and Wales is critical for both companies. Excluding diversification, it is one of only two ways to create growth.

Much has also been made of scope to widen margins as generation costs fall further. Within a year, the companies' cheap gas-fired generation will be on-stream, and the price of contracted British Coal will also fall over the next three years. When contracts expire in 1995 there may be scope to buy cheaper imported coal.

Brokers are looking for earnings growth from the two companies of around 10 per cent until 1994. What happens after then is, says Mr Preston, the stuff of prophecy.

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BRITAIN IN BRIEF

Guy's to axe over 300 hospital jobs

Almost 300 jobs are to be axed at Guy's Hospital in south London as part of a plan to save £6.8m. A total of 92 clinical and non-clinical staff will be made redundant with a further 208 full-time posts going through natural wastage, the Guy's and Lewisham Trust announced.

The majority of jobs being axed are non-clinical, affecting support services such as domestics and porters but nursing staff are also hit. Guy's became a self-governing trust last month.

Optimism in business sector

Businesses in the service sector are confident economic conditions will improve over the next six months despite the continuing squeeze on profits during the recession, according to a survey.

The American Express Business Barometer interviewed 682 businesses in each of the service sectors – travel, hotels and restaurants and retail. More than 72 per cent of respondents said they were optimistic about "business potential" over the next two quarters.

Virgin launches new US service

Virgin Atlantic, the UK long-haul airline, has begun a new transatlantic service between Boston and London's Gatwick Airport. The inaugural daily flight comes a month before Virgin begins, for the first time, to operate out of London Heathrow, the capital's main airline hub.

Newspaper criticised

The new Press Complaints Commission severely criticised the News of the World, one of the largest circulation Sunday newspaper's, over a number of articles about Ms Clare Short, the Labour MP.

The Commission, which replaced the Press Council as the newspaper industry regulatory body at the beginning of this year found unanimously that the paper had unfairly tried to link Ms Short with pornography and had unjustifiably invaded her privacy.

Touche Ross legal threat

Touche Ross, the UK's fifth largest accountancy firm, has threatened to take legal action against the Institute of Chartered Accountants in England & Wales if the institute goes ahead with plans to introduce tougher disciplinary powers over accountancy firms.

The move reflects a growing disenchantment among the senior partners of the UK's biggest eight accountancy firms with the ICAEW's growing influence over their affairs.

Cadbury to chair committee

A City and industry committee charged with recommending ways to improve relations between companies and their owners was launched in London.

Sir Adrian Cadbury, former chairman of Cadbury Schweppes and currently a director of the Bank of England, will chair the committee.

Print union elects leader

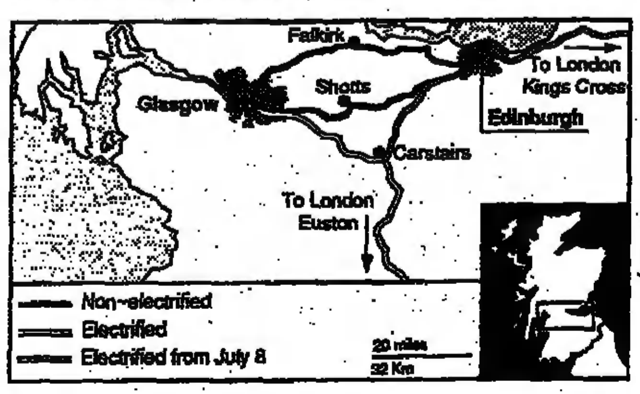
Ms Brenda Dean, general secretary of the print union Sogat, was defeated by Mr Tony Dubbins, leader of the National Graphical Association, in the election to become leader of a new merged print union. The union will have about 301,000 members and will become the TUC's eighth biggest union.

Pay review terms accepted

Teachers will have to accept part of their pay being linked to performance in order to gain a large increase in earnings under the new pay review body, the leader of the National Association of Head Teachers said. The government is currently introducing appraisal for all teachers.

Joint venture

Midlands Electricity, regional power distributer, has formed a joint venture with STEAG, the German power generator, to extract energy from waste.



From July rail travellers between two Scottish cities will be able to chose between two routes operated by different parts of British Rail, writes Richard Tomkins. Travel times will be similar on the lines between Glasgow and Edinburgh. Earlier this week Mr Malcolm Rifkind, the transport secretary, said that he wanted to introduce more competition on the railways by ending British Rail's monopoly over services. Personal View, Page 13

FT LAW REPORTS

Digest of Easter term cases

FROM APRIL 30 TO MAY 15

Arnold and others v National Westminster Bank plc
(FT, April 30)

A rent review clause which concerned the interpretation of the phrase "a fair market rent" at first instance was held to mean that it should be fixed on the basis that the hypothetical lease should be treated as not containing any provision for rent review. No appeal was allowed against that decision. Thereafter, in a subsequent case, a somewhat similar rent review clause was construed to mean that, in the absence of clear words requiring the rent review provisions to be disregarded, effect should be given to its underlying commercial purpose by requiring future rent reviews to be taken into account. That approach had subsequently been approved by the Court of Appeal. When the lessees sought to re-open the question of the construction in the present case, the landlords applied to strike out the claim on the grounds of issue estoppel. The House of Lords upheld the vice-chancellor's decision that special circumstances could prevent an issue estoppel from arising where relevant new material, not available at the time of the first decision, had since come to light. Such new material could include a change in the law. Preventing the lessees from re-litigating the point would favour an abuse of process which estoppel was essentially concerned to prevent. It would be most unjust for a tenant to be faced with rent reviews over 20 years, all based upon a construction of the law which was decided to have been wrong.

Bank of Crete SA v Koskotas and Others
(FT, May 1)

The plaintiff bank claimed that certain monies which had allegedly been misappropriated by two of its officers could be traced into the hands of the ninth and 10th defendants, Mr Louvaris and a company he controlled. He was ordered to sign a letter instructing his Swiss bank to disclose his account documents for the relevant period. In an appeal against the order which had been made for the purpose of the Mareva application, counsel contended there was not sufficient ground for upholding the order now that opposition to the Mareva injunction had been abandoned. Allowing the appeal, the Court of Appeal stated that although the Swiss were sensitive about their banking secrecy laws by court order from other countries, that by itself would not be a ground for interfering with the order. However, in the event, although the documents might prove relevant at a later stage of the proceedings, that was an insufficient ground for upholding the judge's order given that there was no longer opposition to the Mareva injunction.

World Era
(FT, May 3)

In a charterparty the actual owners had chartered the vessel to the disponent owners on terms similar to those between the disponent owners and charterers. The charterers and sub-charterers were both subsidiaries of the Marc Rich & Co AG group. A claim arose in 1981, when the arbitrators were appointed, by the charterers against the disponent owners for damages after refusing an order to discharge in South Africa. Amendments added an allegation that the charterparty was made by the claimants as agents for undisclosed principals, Marc Rich, in 1990. In making a limited declaration in favour of the plaintiffs, Mr Justice Phillips stated that the original cause of action, namely the alleged breach of charter in declining to deliver in South Africa, remained the cause of action the charterers sought to enforce. That was sufficient to dispose of most points on which the disponent owners relied in their attack on jurisdiction. However, in so far as they also alleged their principals, Marc Rich, had suffered loss and damage the charterers went beyond what they could claim by their asserted cause of action, not one included in the original reference, and was therefore one the arbitrators did not have jurisdiction to decide.

Interdesco SA v Nullifire Ltd
(FT, May 8)

The Cour d'Appel in Paris substantially upheld an assessment of FFr4.7m (£467,000) damages for breach of contract and the Master ordered that judgment to be registered in the High Court. The defendants sought to have the registration set aside on the grounds of fraud and that its recognition therefore would be contrary to public policy. Dismissing their appeal, Mr Justice Philips stated that the English court should first consider whether a remedy lay in the foreign jurisdiction. If so it would normally be appropriate that the defendant pursue his remedy there. While it was not an area where rigid rules should be formulated, the English court would not normally entertain a challenge to a convention judgment in circumstances where it would not permit a challenge to an English judgment. The proper course was to leave the defendants to seek remedy in the *recours en revision*, a form of appellate procedure, to set aside the judgment on the ground that it was procured by fraud. If the *recours* succeeded the case would be reheard on its merits.

In re Seagull Manufacturing Co Ltd
(FT, May 10)

A director of the insolvent company, being wound up by the court on the ground of public interest, was a British subject who claimed he was domiciled and resident in the Channel Islands. On the Official Receiver's application he was ordered (i) to attend the court for public examination and (ii) ordered service of the public examination order at his Alderney address. The Registrar set aside both orders on the ground they were made without jurisdiction since he was in Alderney at the material time. In allowing the Official Receiver's appeal, Mr Justice Mummery stated that there was a general rule of statutory construction that English legislation was primarily territorial in effect. Ultimately, however, the question of who were the persons, with respect to whom parliament was presumed to be legislating, turned on the language, context and purpose of section 133 of the Insolvency Act 1986. On the true construction of that section, it was plain it applied to all in a class of specified persons within its "legislative grasp or intendment" whether or not in England and whether or not they could be served with a summons here. The orders would be restored.

Re Asahi Kasei Kogyo Kabushiki Kaisha
(FT, May 14)

The appeal arose from competing applications for patents for chemical inventions in the genetic engineering field. Asahi argued that for disclosure in an application to form part of the "state-of-the-art" under s.2(3) of the Patents Act 1977, it had to disclose the method of working the invention, ie, an enabling disclosure. Mere disclosure of a formula for a compound claimed was not sufficient but their argument was rejected in turn by the superintendent examiner, Mr Justice Falconer, and the Court of Appeal. Section 2 of the Patents Act 1977 provided, *inter alia*, that the state of the art in the case of an invention comprised matter contained in an application for another patent published on or after the priority date. In allowing Asahi's appeal to the House of Lords, Lord Oliver stated it had to be assumed for present purposes that the man skilled in the art, if he was to produce the invention claimed, would need to know not simply the formula but a method by which it could be produced in accordance with that formula. The invention, as a patentable concept, involved the combination of formula and means. In this case, the only "matter" disclosed was a bare claim a compound could be prepared of the specified composition.

A and Others v B Bank, Bank of England Intervening
(FT, May 15)

A and Others had been granted an injunction restraining B Bank from disclosing to any third party all documents B Bank held at its London branches or elsewhere in the jurisdiction. Thereafter, the Bank of England, pursuant to section 39(3)(a) of the Banking Act 1987, served on B Bank a notice requiring it to produce documents covered by the injunction. B Bank now sought directions as to whether, despite the injunction, it was free to comply with the notice for disclosure of the documents. Mr Justice Hirst stated that the scope of the Bank of England's public duty under section 1(1) of the 1987 act to supervise authorised institutions was wide and the Bank of England might often be faced with situations requiring urgent action. Fulfilling that public duty overrode the duty of confidence to customers.

Aviva Golden

CONTRACTS

£25m Lyell Field development

STENA OFFSHORE, a turnkey subsea contractor, has won a contract worth about £25m from Conoco (U.K.). The contract is for a project on the Lyell Field development.

The project will involve the installation of facilities for extraction and transportation of oil and gas from the Lyell Field to the Chevron-operated Ninian southern platform, some 15 km to the south-east.

Stena Offshore has been contracted to lay three 15km pipelines of 12in, 10in and 8in in diameter and a 2in methanol line, piggybacked to the 10in pipeline. Stena Offshore will also be providing umbilical installation, flow line tie-ins and trenching and back-filling operations.

The offshore pipelay, using the reel lay vessel Stena Apache, is only expected to last 30 days and will therefore free the vessel for other seasonal projects. One of Stena's diving support vessels will undertake diving support which is expected to last for at least 40 days.

The Lyell Field is situated in the UK North Sea block 3/2, about 300 miles north-east of Aberdeen. The proposed development comprises a central subsea manifold structure surrounded by a number of oil and water injection wells, which will be connected by a series of flowlines and a control umbilical to the Ninian southern platform.

Building gravel dredger in Holland

RENDEL PALMER & TRITTON's offshore and marine department is involved in supervising the design and construction of a sand and gravel dredger in a Dutch shipyard for Civil & Marine.

The £14m vessel is the third - and at 7,800 tonnes deadweight the largest in a family of trailing suction hopper dredgers for Civil & Marine. The order was placed through Civil & Marine's Belgian subsidiary, Cambel.

Work has already begun on the dredger at IHC Dredgers near Rotterdam for delivery in 12 months' time.

RPT designed the basic hull and assisted the client with the equipment layout and in supervision of construction of the first of the line, the Camborne. This was a 5,000dw vessel built in Scotland to dredge sand and aggregate for the construction industry.

About three years ago a second vessel, the Cambeck, was built. The latest, to the same basic design and layout but with a larger deadweight, will have a length of 113 metres, breadth of 19.6 metres and draught of 6.5 metres. The ship will have a submerged dredge pump which permits dredging to 50 metres below keel.

British Coal electricity supply project

British Coal is to install a combined cycle electricity generating plant providing about 15MW of net electrical power at Harworth Colliery in Nottinghamshire. The plant is believed to be the first in the UK to be fuelled exclusively by mines' gas, which is a low calorific waste gas extracted from the coal face during mining operations.

A contract has been awarded by British Coal to a joint venture of **MOWLEM ENGINEERING** of Bromborough, Wirral, who will design and build the plant and **COFRETH**, who will operate and maintain it for a 10-year period. The contract is valued at more than £18m over the period at present day values.

The combined cycle power plant comprises four reciprocating gas compressors, two Ruston TB 5000 industrial gas turbines, two supplementary fired steam boilers operating at 450degC and 40 bar pressure and a full steam cycle incorporating an 8.5MW condensing steam turbine with attendant equipment.

The new plant will supply the majority of British Coal's electricity requirements at the colliery, providing a substantial financial saving and contributing to a cleaner environment by reducing emission of the methane content of mines' gas.

Mowlem Engineering is a division of John Mowlem Construction and Cofreth is part of Lyonnaise des Eaux Dumez of France.

Improving access to the Metro Centre

COSTAIN CIVIL ENGINEERING has been awarded a £6.15m contract by Gateshead Metropolitan Borough Council for the construction of a two-span bridge over the River Derwent and 0.6km of dual carriageway in Gateshead, Tyne & Wear.

The contract will use 35,000 cu metres of expanded and extruded polystyrene to form the embankment for the road over an area of bad ground. It is believed to be the largest such application of the material in the United Kingdom to date.

The project, known as the Western Riverside Route - Derwenthaugh Extension Phase 1, will create a second major route to the Metro Centre shopping complex from the existing major road network.

The contract consists of the construction of a two-span skewed bridge, each span 41 metres in length, over the river, on deep piled foundations over mine workings, which will be grouted before piling works start.

Aylesbury manor house refurbishment

HOLLOWAY WHITE ALLOM, part of John Laing Construction, has been awarded a £3.4m contract by the National Trust for repair work at Waddesdon Manor at Aylesbury in Buckinghamshire.

Repairs will be focused on external stonework, roofing and windows while inside a number of structural alterations will be carried out together with the upgrading of mechanical and electrical services.

The contract, due for completion in August 1992, also calls for high quality internal finishes, particularly timber wall panelling.

The house will re-open to visitors at Easter 1993. Meanwhile the grounds and aviary are open as usual.

Waddesdon Manor was built in 1874 for Baron Ferdinand de Rothschild.

Upgrading car design facility

The Rover Group, the British car manufacturer, has placed a £17m contract to upgrade its **COMPUTERVISION CAD/CAM** facility. Running over three years, the first phase of the programme has recently been completed. The second phase, to replace 100 Instaviews with 100 CADDS 4X SPARCstations, will be completed this year, while the third phase will be completed next year.

Computervision has been supplying CAD/CAM solutions to Rover since 1983. Technical specialists from Computervision are working closely with Rover technical staff to enhance further the design and production process by implementing the latest CAD/CAM technology. The objective is to support Rover's concurrent engineering strategies, while maintaining and enhancing the quality of its finished products.

While the investment programme is concentrating on the use of CADDS 4X for styling design, concept engineering and electrical design, Rover and Computervision are working closely together on a number of projects. The two companies are jointly developing a body design user interface for NURBS (non-uniform rational B-splines) surface design and Rover is running a pilot project using Solidesign for power train (engine and transmission) components.

Rover is also working closely with Computervision in developing its powerful engineering database management (EDM) system. The aim of the project is to develop a single bill of materials which can be integrated with CADDS 4X. In addition, Rover is encouraging its suppliers to link into its EDM database - the first four suppliers will join the network by the middle of this year.

Teaching block

TRY DESIGN AND CONSTRUCT, part of the Try Group, has been awarded a contract for a five-storey teaching block at Ealing College of Higher Education, worth £1.77m.

The new building is attached to the existing college on two sides and forms a link between the south and east wings.

It will be constructed with a reinforced concrete frame on pad foundations and have brick cladding and an aluminium mansard roof.

The project will be completed in 55 weeks.

MANAGEMENT

A serious interest in strategy and personal chemistry

Kenneth Gooding talks to the generalist who has moved to the top of RTZ Corporation

What are the qualities that take someone to the very top in a large corporation? Bob Wilson, who tomorrow moves into the chief executive's chair at RTZ Corporation, the world's largest mining company, says that in his case he was helped by gaining experience of a wide range of management functions.

"I have a generalist's background. I am not a specialist."

Wilson spent most of his time at RTZ, which he joined in 1970 as a financial analyst, away from head office and in the operating companies. He had spells in *finance and marketing departments* before being appointed managing director of AM&S Europe (now known as Pasminco) a lead-zinc producer in 1979 at the early age of 35.

He says his move to the top was helped by his continuing interest in business strategy; "anyone in the top job at an organisation must be seriously interested in strategy as well as having wide experience".

Personal chemistry between key executives also plays an important part in *corporate manoeuvres*. "Personalities matter," Wilson says. "If a small team is to work effectively there must be mutual trust and confidence among the team members. You must trust people personally."

RTZ's top management reaches decisions by consensus. He says the chief executive's committee will continue to make the operating decisions. "It is a team and what matters is how the team works and that there is harmony."

Several of those RTZ team members *will change positions* when Sir Alistair Frame retires as chairman tomorrow. Sir Derek Birkin, 61, the present *chief* executive, becomes executive chairman. Wilson, 47, moves over from being director, mining and metals, while Ian Strachan, the finance director, also 47, becomes deputy chief executive.

Some analysts were surprised that Wilson, a thoughtful individual with a perpetual gleam of good humour in his eye, slipped in ahead of Strachan, who joined RTZ in October 1987 after 16 high-flying years with *Exxon* Corporation, and who has a more charismatic personality. Analysts suggest that Wilson was Birkin's choice and he put his *foot down when some other directors* suggested Strachan would make a more impressive "figurehead".

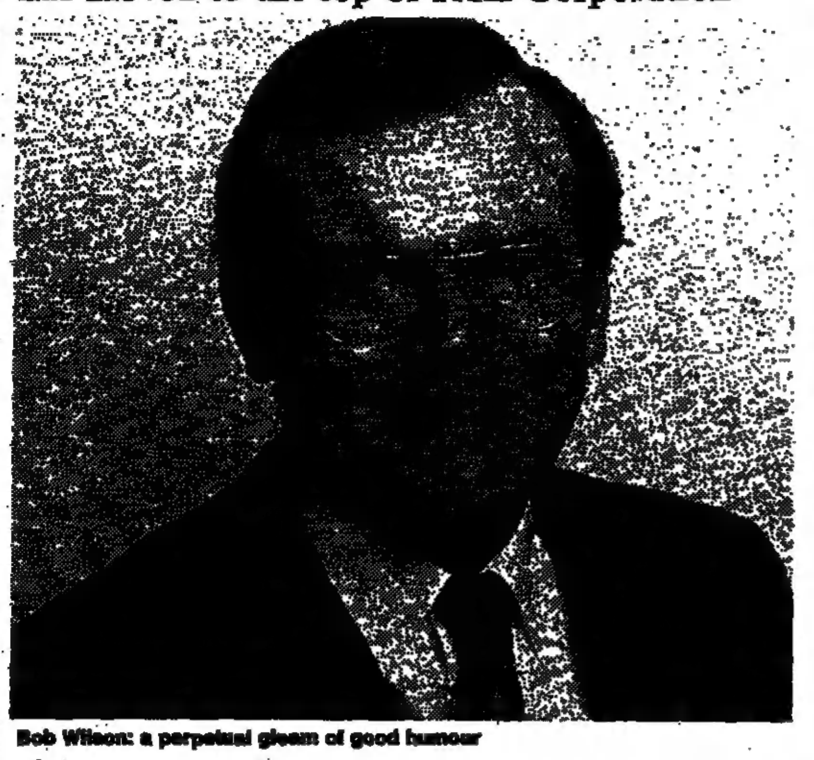
Wilson and Strachan showed how well they can work together under pressure after the once-in-a-lifetime acquisition by RTZ of most of British Petroleum's mining assets for $3.7bn in 1989. The BP Minerals acquisition was huge by any standards yet it was absorbed quickly, efficiently and relatively painlessly.

RTZ is in good financial shape should another suitable acquisition come along. But Wilson says the main task for the rearranged management is to capitalise on what the group already *has*. "Being the *biggest* is *certainly* not enough. We want to be better than the competition. We want to be the superior performer in the industry."

RTZ has a relatively short history. In the 1960s it was a small, entrepreneurial mining finance house. From the 1970s to the mid-1980s its mining interests *matured into big cash generators* and the group used the money to build up a *portfolio of other assets*, in oil, gas, chemicals and metal fabricating businesses.

In the late 1980s this diversification strategy was reversed as RTZ refocused attention on its core mining operations. Oil, gas, chemicals – even the cement business which brought Sir Derek Birkin into RTZ with Tunnel Cement – went in a divestment programme which netted $1.5bn.

Then came the BP Minerals acquisition which gave RTZ the sharp focus it had been searching for. Its interests now span a wide range of metals and *minerals: copper (it is the world's second-largest producer)*, aluminium, gold, *borax, iron ore, uranium, industrial* diamonds, coal, potash, kaolin, talc, silica sand and salt. They are produced mainly in North America, Australia and Southern Africa.



Bob Wilson: a perpetual gleam of good humour

Wilson says this wide spread of operations gives RTZ the opportunity *in* future to achieve superior performance by *transferring* expertise between the operating companies. "Best standards" *can quickly* be *transmitted* through the group.

RTZ has a chance to turn size into profit, he says, because its wide range of products in many geographic areas gives it more opportunities than most mining companies – which tend to be focused either on one or two products and a limited geographical area. There are also many investment opportunities open only to a group of RTZ's size and financial strength.

Wilson admits the strategy of transferring expertise will not be easy to implement because there is no intention *to change the management style* – which is to have a small head office *staff in London* (under 250) and to give the operating companies near-autonomy while holding a light financial rein.

"We must try to do what we must do without building up numbers at the centre or creating a bureaucracy or demotivating the operating management," he says.

More senior managers will be transferred between the operating companies. This has been done before but Wilson says it will now be part of a more systematic process.

RTZ is looking for more large-scale projects, says Wilson. The prime consideration is that projects must have the lowest costs in their particular sector. However, other factors such as the politics and economics of the country in which the minerals are located can be *important. For example*, RTZ was not particularly keen to rush into eastern Europe when it began to open up.

"We might be quite keen on a smaller scale project of $50m to $100m rather than a $1bn project in those parts of the world where we have no expertise at the moment," says Wilson.

The group prefers to have management control of its ventures but this is not an unbreakable rule. It accepted a 30 per cent interest in the Escondida copper mine in Chile, the third-largest in the world, *rather* than be left out of this world-class project.

Wilson says RTZ should not move downstream into metal processing. He explains that an ore body is unique. Turn it into a low-cost, long-life mine and you have something your competitors do not have.

But metal smelters have to compete more or less on equal terms for raw materials and customers. RTZ would only consider expanding its smelting capacity when it would have a permanent *cost advantage – for example as it* has at Bingham Canyon, near Salt Lake City, where the smelter is close to the mine and competitors have to ship raw material from Bingham to other parts of the States.

RTZ does have one non-core business left: Pillar, which groups a number of industrial operations and has a turnover of $1.6bn. Wilson says: "If we didn't have it today we would not buy it. But we do have it and want to keep it and we are willing to invest more in it."

Pillar operations are mainly in the UK, *which helps RTZ's tax position*. The group generates under 10 per cent *of operating profits* in the UK but Wilson insists its complex tax situation is under control and the group will never take a strategic decision for tax reasons. "Tax-driven investments are usually bad news for companies in the longer term."

Wilson says that RTZ's shift from being a mining finance house to mining company "requires a different mix of skills and competence at the centre".

After the BP deal George Beals was appointed technical director, bringing with him substantial mining experience, and tomorrow Leon Davis joins the *board on secondment from* CRA, RTZ's Australian associate, for at least three years as mining director. As Wilson says: "In the past we had a preponderance of staff types – accountants, economists and such like – at the centre. This is no longer the case."

ICI: another bridge too far for Hanson

By Christopher Lorenz

In all the analysis that has appeared since Hanson's predatory intentions towards ICI emerged earlier this month, one crucial fact has hardly been mentioned.

It is this. If Hanson really does acquire the chemicals group, or "merges" with it, and if it retains more than a small fraction of ICI's businesses then Hanson will have to try to change the very thing that has made it so successful: its style of "parenting" its businesses.

This style is so specialised, and Hanson's own "parents" (the Lords Hanson and White) *so set in their very effective* ways, that such a style change would be well nigh impossible.

ICI's critics are undoubtedly right that its businesses need a more demanding head office in terms of financial control – Hanson's primary expertise – than they have had over the past few years.

Sir Denys Henderson, ICI's beleaguered *chairman*, admitted the need for rein-tightening three *months ago* when he warned the business chief executives that they would be held much more accountable in future "for delivering the contract for strategic objectives and profit and cash budgets". He also created a new high-level control grouping, the performance and policy committee.

But the key issue in the Hanson-ICI debate is not really the need for tighter financial control. It is that a takeover or *merger would not be merely* inappropriate, but dangerous to both sides.

The reason is that far fewer of ICI's businesses match the standard Hanson "parenting" criteria than is generally realised.

Hanson has always explained the logic of the highly diverse portfolio of businesses which it retains in terms of their conformity to a strict set of management characteristics.

Its best-known *criteria* are that the businesses it keeps *should be in industries* which are: relatively basic; have reliable demand patterns; enjoy a stable competitive environment; have relatively low technology and no great capital intensity.

Most of the ICI businesses – not merely, at the extreme end of the spectrum, pharmaceuticals – match few, *if any, of* those criteria.

But *even* those which *do* (pigments, explosives, and various other bulk chemicals) tend to fall foul of two other, less frequently discussed, factors behind Hanson's choice of which businesses to hold on to.

The two are linked. One has always been that Hanson businesses should be simple enough to be managed entirely by the individual appointed to run them, without help from head office. That, in *turn*, implies that each business should be as stand-alone *as* possible.

The other is Hanson's strong

The key issue in the Hanson-ICI debate is not the need for tighter financial control. It is that a takeover or merger would not be merely inappropriate, but dangerous to both sides

past preference for what academics and consultants call *"multi-local" businesses*: those whose economics do not require them to operate across international borders.

Hanson may argue now that he wants to use ICI "to become international", as he put it last weekend. But the existence of cross-border linkages within businesses implies a degree of organisational complexity, such as product/geographic matrices, with which a head office cannot avoid becoming involved.

Chapter and verse on the criteria and preferences which Hanson has always applied can be found in two publications: the influential book, Strategies and Styles by Michael Goold and Andrew Campbell*; and the June 1987 edition of The Treasurer magazine, where Hanson spelt most of it out in *his own words*.

He explained, for instance, *why being Britain's leading* brickmaker, on the one hand, and a leading US maker of garden tools, on the other, did not "automatically" cause him to strive to extend those positions reciprocally, or to other national markets.

Hanson actually seems to have consciously avoided doing so.

All this could hardly contrast more starkly with ICI's range of *businesses, most of* which are either already *global, or are becoming so* because of one or more of three causes: the need to leverage, across as many markets as possible, the soaring cost of research and development on products and production processes; the need to improve capital utilisation substantially; and the increasing tendency of some international industrial customers to demand global sources of supply.

As if this were not enough, several of the ICI businesses, which, on the face of it, seem "Hansonable" on a sustained basis, are also highly complex to manage in the sense of their degree of vertical integration; the true performance of each integrated profit centre is hard to determine, for instance.

This is especially true of ICI's chlorine- and petrochemical-based interests.

Hanson might retort that such a degree of integration is one of ICI's inefficiencies. If so, that simply increases sharply the proportion of ICI's portfolio which Hanson would have to break up and sell after takeover.

Alternatively, if we really are to believe the dream of an Imperial Hanson Industries, operating internationally with sizeable chunks of ICI's current portfolio then Hanson would have to change its own management skills and style at least *as radically* as it says ICI's need changing – arguably even more so.

It might actually be easier for ICI to adapt itself to running a partly dismembered Hanson.

**Basil Blackwell, £14.95.*

TECHNOLOGY

Progress in AIDS crusade

US scientists from the Harvard Medical School have blocked the effects of AIDS in rhesus monkeys through injection with a human protein. The findings hold out the prospect of an effective AIDS treatment in humans.

In *tomorrow's issue of the* Proceedings of the (US) National Academy of Sciences, the researchers describe treating the monkeys with a modified form of human CD4 protein. The experiment is the first in getting the immune system to fight viruses which directly attack it – by producing new antibodies.

CD4 protein, which is found on cell surfaces, is known to be an effective receptor for the HIV virus that causes AIDS in humans. As recently as last autumn research groups had hoped to use injections of CD4 protein in infected monkeys to block the virus from binding to healthy cells, but the technique did not work.

The scientists later found that injections of human CD4 prompted the infected monkeys to produce antibodies which reacted against both the human protein and the monkey's own CD4 – which had attracted the AIDS virus. For up to 100 days after treatment the *animals produced* significant quantities of antibodies against CD4, blocking the spread of the virus.

Norman Letvin, who is heading the project, expressed "cautious optimism" for protein immunisation as a treatment for AIDS in humans. Experiments with chimpanzees – genetically closer to humans than rhesus monkeys – are under way and Letvin's group believes that human trials are the next logical step.

The Harvard group has not tested CD4 as a vaccine against AIDS in healthy animals, "although those experiments beg to be done," Letvin acknowledged. "With millions of people infected with the virus, we've chosen to explore the therapeutic effects first."

Biotech companies such as Biogen and Smith Kline have perfected techniques to make the protein in anticipation of a market for the AIDS treatment.

David Lyon

Andrew Baxter looks at Davy's bid to maintain its leadership in the market for computerised controls in aluminium processing

Rolling in progress

A select group of managers from the aluminium rolling mills of eastern Germany must have felt like they were on a different planet earlier this month as they sampled the sylvan delights of a hunting lodge-style hotel near Frankfurt.

In surroundings that could hardly be further away from the harsh environment of the aluminium processing industry anywhere, it was the perfect excuse to forget about the pollution, crumbling infrastructure and political upheaval back home.

Along with counterparts from western Germany and 11 other countries, the eastern Germans concentrated instead on the Dorset burr of engineers and salesmen from Davy McKee Poole extolling the virtues of System 21, their new computerised control system for rolling mills.

For Davy McKee Poole, the aluminium technology subsidiary of Davy Corporation, System 21 represents a bid to stay at the top of the rolling mill process control industry. This was largely pioneered by Davy, which claims a 50 per cent world market share.

Aluminium rolling mills are a fast moving business. The latest foil mills can roll a product more than two metres wide at up to 2,000 metres a minute. Foil thicknesses have been reduced to six microns (millionths of a metre).

Mill owners are being pushed by end-users into achieving ever-smaller tolerances on flatness and thickness of the aluminium, as well as producing rolls faster, thinner and wider. At the same time cut-throat competition in the aluminium industry is making mill-owners increasingly aware of productivity – "downtime" on some machines can cost $10,000 an hour.

While companies such as Davy have put considerable efforts into improving the mechanics of rolling mills over the past 20 years, the most significant advances have been in the use of electronics for sensors and gauges, and computers to control the mill process.

And with so many variables to control, microprocessor power is particularly important for an industry that wants increasing flows of real-time information about what is happening when the metal goes through the mill.

Consequently, control systems are now reckoned to have a lifetime of about eight to 10 years before the technology becomes outdated. New systems, with sensors to match, can be grafted on to older mills and produce significant productivity gains.

A fast moving business: the latest foil mills can roll a product more than two metres wide at up to 2,000 metres a minute

"Standing out in the world is a massive number of established mills which last for ever in mechanical terms," says Howard Plumb, Davy McKee Poole's managing director.

It is therefore worthwhile for Davy to make what Plumb calls "a very substantial investment" in System 21. The market for new mills may be relatively small, but there are plenty of opportunities fitting control systems on to non-automated mills.

In the circumstances there was probably no better place for Davy to launch System 21 than Germany. Mill owners in western Germany have always appreciated the need to invest in the latest computer controls, and Davy is hoping for a second wave of purchases after making inroads in the mid-1980s, says David Williams, director of Davy McKee Poole's automation division.

Reunification was also an important factor. Mill managers in the east are now fully exposed to the rigours of competition, and have expanded the potential German market for products such as System 21. Much of the rolling mill equipment in eastern Germany is significantly older than the equivalent western plant, although at least one eastern manager at the launch had new equipment installed five years ago.

Although Davy's current system had been continuously updated since its introduction in 1982, it became apparent some time ago that clients were demanding more powerful systems than Digital Equipment's LSI 11 hardware, on which it was based.

Micro-Vax systems were used to fill the gap in the short term, but eventually Davy decided to build a new system based on the Intel 80386 processor. This, says Davy, has 10 times more power than Digital's 11/73 and three times more than a micro-Vax.

The normal System 21 configuration for shape and gauge control will contain three 80386 processors, with a *fourth*, and some smaller processors, for specific tasks such as peripherals control. The increased power and flexibility has allowed functions which previously required separate computer systems, such as roll eccentricity compensation, to be incorporated in the central processor station.

Although System 21 is state-of-the-art in rolling mill terms, Davy has stayed one step behind the leading edge of processor technology, by opting for the 386 processor rather than 486, in the interests of high reliability. But it says a system with the more powerful processor could be introduced quite quickly, and would not involve rewriting any software.

For users, the specific benefits of the system include system tuning, fault finding, remote diagnostics, and ease of "upgradeability". The use of standard Ethernet links is also intended to facilitate communications with control systems *elsewhere in the factory*.

For Davy, there is the possibility that the system could be applied to other rolling mills industries, such as steel, but Williams stresses that it was designed without the compromises in systems architecture that a more universal system might have required.

In the aluminium industry the commercial benefits for Davy of the new system are already apparent. The first of its six orders for System 21, from Hoogovens Aluminium, included new mechanical equipment such as coolant spray bars and chock-mounted scratch brushes in a £12m modernisation at Sidal, Belgium.

Bottlenecks in computer control systems have often restricted the rolling process in the past, but as computer power expands, the boot is likely to end up on the other foot, with the physical and mechanical constraints of rolling aluminium providing the only main limit.

Fresh way to test chilled foods

Retailers concerned about potential breakdowns in the "chilled chain", by which perishable food travels from manufacturer to retailer, could find anxieties eased by Smart FreshCheck, writes Chris Griffiths.

Developed in the US by LifeLines Technology, and sold in the UK by Chill Fresh, of London, the visual indicator can be attached to outer cartons to monitor temperatures experienced by products in the distribution chain, where *"thermal abuse" may occur.* The indicator raises the alert by changing colour if predetermined time and temperature conditions are breached.

In particular the indicators can be tailored to monitor new temperature requirements under the revised British Food Hygiene Regulations, introduced this year. Under the new rules certain susceptible foods cannot be sold if they are kept above 8 deg C for more than two hours.

The Smart FreshCheck consists of degradable polymers combined with dispersible chemicals which melt at low temperatures. When they melt they change colour. LifeLines has adapted these materials so that they change colour rapidly but only after a specified time lapse – say two hours – has occured.

Two potential UK users – a dairy company and a supermarket retailer – are now testing this new technology.

Just the ticket for fraudsters

CHEQUES, postal orders, vouchers and tickets can all be subject to forgery. But a security inking system, developed by Wiggins Teape Fine Papers, of Basingstoke, could help to stem the problem.

The Stamp Pad IV system, which took more than 10 years to develop, uses two colourless inks which react to give a black colour.

The first colourless ink is incorporated into the paper during the initial stages of the paper-making process. Then, when the document is tendered at a bank, shop or football ground, the assistant or door person stamps the document using the second type of ink from the stamp pad. If the stamp mark turns black, the document is verified as genuine.

The company believes the technique will do away with the embarrassment, for customers and assistants alike, of having to hold up the document to the light to see if it contains a watermark.

Software backlog all too common

THE larger your company, the larger the chances of having a backlog in your software development, according to the latest survey into the development of software in UK companies.

The survey, conducted by Develin & Partners, with the newspaper Computer Weekly, revealed that 62 per cent of companies with more than 500 employees and revenues of £10m had a backlog of more than a year. Nearly one in three had a backlog of more than two years.

The causes of the backlogs in the 517 companies surveyed were various, although 70 per cent of companies mentioned lack of resources.

Responding with lightning speed

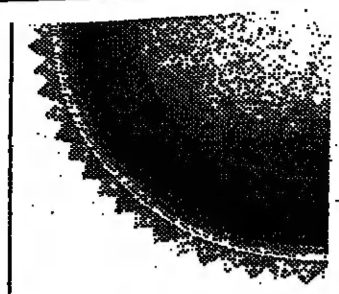
INTERNATIONAL Business Machines will market and distribute software developed by M3i Systems, of Montreal, to help large electric power utilities respond more quickly to systems emergencies, writes Robert Gibbens.

The Mosaic program gives a utility's control room access to a detailed computer map of the entire network. When *an emergency occurs*, the computer operator immediately zooms to the area concerned and within seconds can identify and diagnose the distribution problem. Personnel and equipment is listed and the system focuses on fast solutions.

The program developed by the Hydro-Quebec subsidiary has also been sold to the Los Angeles Water and Power Department. The second sale may be to Madrid's Hidroelectrica.

PCs link to form perfect circle

FOR smaller companies with only a handful of personal computers, setting up a token ring network to link the PCs together can prove expensive. But a Belgian company has launched a token ring hub on a single card which, at £550, it believes can greatly reduce the cost.



WORTH WATCHING

by Della Bradshaw

The PC Aura card, developed in Israel for Real Communication Equipment, of Herstal, Belgium, fits into a PC and enables four further PCs to be connected to it using unshielded twisted pair cabling. By using the fourth connection to plug in a PC with its own PC Aura card, the network can grow in a tree-like way.

By linking the PC groups together in a circle, the network designer can build in resilience by ensuring that there are two routes for getting to each PC in case one link in the network is broken.

Ski goggles take to the sun

SUN-seekers or skiers alike are plagued by the "panda" look – where sunglasses or goggles leave two white rings round their eyes, *marring an otherwise perfect tan.*

But technology is coming to the rescue. La Giardiniera, the Italian maker of sunglasses for sport and leisure, has developed shades which allow the tanning rays of the sun to filter through, giving the wearer an all-over bronze.

The polymer used to make the glasses incorporates a chemical compound which allows certain wavelengths of ultra violet light to filter through – giving the tan – while blocking out other types of light. Among those plastics which have been chosen for the wrap-around glasses is K-resin co-polymer from the chemicals division of Phillips Petroleum.

Contacts: Chill Fresh: UK, 071 274 4443. Wiggins Teape: UK 0256 842020. Develin: UK, 071 548 9082. M3i: Canada, 514 926 4822. Real Communication Equipment: Belgium, 41 48 15 47; UK, 0372 84 37 18. Phillips Petroleum: Belgium 02 686 1211.

The Good Soldier

WAREHOUSE THEATRE, CROYDON

With *The Good Soldier* at The Warehouse, the Public Parts Company has devised a treatment which keeps faith with the original title – "The Saddest Story" – of Ford Maddox Ford's 1915 masterpiece. The result of putting Ford on stage here is an evening of superb, compelling theatre.

The production succeeds by conveying the novel's complexities without being complicated. It does not encumber itself with caveats and qualifications. Instead of telling, the action *shows* the relationships on stage: flirtations condense to a brief waltz; dinners to a peal of laughter. *The key scenes* are revisited in clear, precise repetitions, each adding to our knowledge.

Under the sober patina of civilised life, the play uncovers the moral slidings necessary to allow marriage, honesty and self-respect to coexist. It is as if Meredith had made a novel of *Modern Love* and then staged it. No one is to blame; the passions spin the plot.

The Good Soldier asks us to consider whether Captain Edward Ashburnham is the "splendid fellow" his friends think him, or the "monster of licentiousness" his wife knows, or both. Ashburnham is an exemplary gentleman and dedicated philanderer yoked to a devout catholic wife, Leonora. She is archly pragmatic and emotionally cruel; she even directs his affairs herself. She keeps the *marriage afloat*, boasting "there are seven hundred names in my visitors book" at her success in maintaining appearances.

The moral issues tangle when the Ashburnhams meet the Dowells, a rich American couple, at a German spa. Florence Dowell becomes Ashburnham's mistress for nine years; her husband John, a dim Philadelphian, appears to know nothing until she dies, Ashburnham takes his *own life*, and Leonora reveals the facts. Dowell narrates, sometimes knowing less than anyone.

Julia Limer's intense direction brings out the book's nuances. She incorporates [illegible] *capella* [illegible]artets and s[illegible] duos [illegible] and played [illegible] the actors, which add range and tone. The set, a simple arrangement of out-of-kilter frames, presumably referring to Ford's vision of life's events as "unordered pictures", serves the purpose exactly: unfussy and unintrusive. Anthony Richards's flexible lighting creates the scene changes.

The actors meet the technical demands with energy and versatility. They are all excellent. The best lines fall to Karen Hayes's chilly Leonora: "Edward has been dead only ten days and yet there are rabbits on the lawn."

In the end, some of the good and semi-happily, and the bad unhappily. Ford had called this "The Saddest Story" (not "The Ashburnham Tragedy") because it lacked both villain and conclusion; instead, a married couple drift down life on a sea of misery. The play tackles this inconclusiveness by making us complicit with the gullible Dowell, and yet skeptical enough to make independent moral judgments.

Andrew St George

Private sketches with public appeal

Susan Moore reviews the exhibition at the Tate Gallery

It was [illegible] so much what the Impressionists painted that was [illegible]tionary, but that they signed their sketch-like impressions of fleeting light effects – what Manet called the "vibrations of the atmosphere" – and presented them as finished works of art. Their experiments in recording their immediate sensations in front of nature were anticipated, more fully than they realised, in the oil sketches made by Constable and Turner some 70 years before. Thanks to the later French painters, these oil sketches *have gained a validity* unimaginable to their creators.

No doubt the artists represented in the small show at the Tate's Clore Gallery would be appalled to learn that their private or working sketches are of broader appeal today than their carefully considered and *highly finished studio works* intended for public consumption. *Oil Sketches from Nature* by Turner, his predecessors and his contemporaries (until September 1) complements the major show of Constable landscapes opening at the Tate on June 13, and that of the great pre-Impressionist French *plein-airiste*, Jean Baptiste Camille Corot, *at Manchester City Art* Gallery, until June 30. It is also *perfectly self-sufficient.*

Painting in oils in the open air began in Italy, in early 17th century Rome, and was later taken up in Naples too. No doubt it was as relevant to Turner as to Constable that Claude and Poussin were thought to have made "the fields their chief place of study" and painted outdoors. Certainly the earliest British oil sketches from nature were *executed* by *artists who had* travelled to Italy. The most original are by the *remarkable* Welshman, Thomas Jones.

One of his "painted studies in oil on primed paper" shows the Capella Nuova as viewed from the window of his lodgings in Naples in 1782. This dramatically cropped close-up is unconventional by 18th and *even 19th century standards of* vedute. Jones rejoices – as do his French counterparts in Italy – in the brilliant southern light, and in the frieze-like expanse of crumbling wall that constitutes a bold *half* of the picture.

More unexpected is the high *colour and animated handling* of Benjamin West's view from *the terrace at Windsor*, and George Garrard's fresh and uncontrived study of trees on Coombe Hill. In contrast, the studio work of all three is disappointing. Again and again, the show implies the inability – or lack of inclination – of all but Turner and Constable to apply the lessons learnt in the field to the working practices of the studio.

Turner's relatively small corpus *of sketches in oil – rather* than watercolour or gouache – *provides* the focus *of* the show. He was both a famously daring and curious student of nature and her effects – notably strapping himself to a ship's mast to witness a storm at sea – and a cautious *plein-airiste*. From the first, he nursed reservations about *Nature untempered by Art*, and on the merits on working *out of doors, preferring to* record fugitive natural effects back in the studio. Eventually he abandoned plein-air sketching in colour in any medium.

His first gloomy efforts in Kent around 1801 show him in a Picturesque vein, and *failing* to compensate for the brightness *of light. More successful* and pleasingly direct are the Thames and Wey Valley sketches of 1805 executed aboard his boat, on panels of mahogany veneer – like the bold panorama of *Walton Reach* – or on large rolls of unstretched canvas that were probably "lay-ins" of full-scale pictures. Here his approach came close to that of Constable (who completed one exhibition *canvas out of doors) and of the* Impressionists.

Undeniably most compelling are the cursory, abstracted and intensely Romantic oil sketches of coastal scenes that he executed, probably in the studio, in the 1830s. It is as if he concentrated all his faculties and emotional energy on comprehending sea and shore, spray, sea air and watery light, in order to distill its essence in *the studio.* Ruskin *called it the* "arrangement of rememberence". His painterly language was improvised from that of the sketch. These oils on canvas and millboard bear little relation to the traditional preparatory sketch.

Next to these, the fashionable, artful "sketches" of his contemporaries such as John *Linnell and William Mulready* who followed Varley's advice to "go to Nature", inevitably seem pedestrian, despite a certain charm. Constable, a committed and masterly *plein-air* oil-sketcher rivalled only by Corot, brings the show to a close. More than any of his contemporaries either *side* of the Channel, he was able to develop through sketching from nature a new and dynamic pictorial language. The last exhibit, a scientific *cloud study of 1822 inscribed* with details of the exact time of day and wind conditions, is a striking counterpoint to the sentiment and generalisation of the first, Alexander Cozens's moody storm sky of some 50 years before.

Oil Sketches from Nature: 'An Excavation' by Thomas Jones (1742-1803).

Samson et Dalila

OPERA-BASTILLE, PARIS

[illegible] a first [illegible] into the normal French repertory, the [illegible] The original idea of importing [illegible] Friedrich production from [illegible] dropped and a brand new *Samson* commissioned from Pier Luigi Pizzi with alternating, international casts. I saw the second performance, by which time word had evidently got round about a noisy first *night reception*, a scandal of the kind Parisian audiences greatly enjoy.

Pizzi is reported not to care much for *Samson*, judging it a "minestrone" opera. Not a very sound reason, perhaps, for undertaking a major production of which a large part was devoted to sending the work expensively up. As usual his *own designer, Pizzi set the* opera simultaneously in Biblical times and in the recent past with (yet again) concentration camp wire fences and suffering Hebrews contrasting violently with garish Philistine luxury. In the background, changing projections among which views of desert sand predominate.

The storm of protest from the audience broke after the shorn and blinded Samson's [illegible] two [illegible] attendants advanced with a steel trolley to take him to the temple. The hullabaloo increased to Babel proportions when the glittering temple was revealed – a spectacular set with a group of Second Empire classical columns bunched in stage centre with all-too obvious purpose. Behind these, the inevitable desert dunes melted into a skewed-back blow-up of the grand staircase at the Palais Garnier.

The columns proved a *dire* nuisance, dividing the stage in half so that the multiple goings-on of the bacchanal were constantly impeded or temporarily hidden from view. No holds barred in the epicene revels, either there or in the mocking duet for Dalila and the High Priest, which was drowned. Something to offend everyone, with belly-dances, the High Priest of Dagon dressing up as the Pope, and [illegible] mock Old Master auction. Did *nobody recognise the element* [illegible] parody [illegible] oriental [illegible] already present in Saint-[illegible] a monumental send-up [illegible] the point.

Fine baritone: Alain Fondary as the High Priest

The Samson at this performance was Vladimir Atlantov, not a classical heroic tenor but a [illegible] with [illegible] approach of a Vickers, but without that [illegible] unique ability [illegible] turn mannerism and roughness to good use. Behind the choking, desperately sincere utterance with scarcely a word audible, one detected a powerful, individual voice. The Dalila of Ewa Podles offered a more even scale than most mezzos today, very welcome in the second aria, "Amour! [illegible] aider", [illegible] so [illegible] like a [illegible] *singer's* presence, dignified and friendly but insufficiently sin[illegible] like the Marx [illegible] feed, Margaret Dumont.

The only French artist in a leading role [illegible] the High Priest, Alain Fondary, who has one of [illegible] baritone [illegible] day. Against all odds he remained the central figure in the Pizzicated bacchanal and its aftermath. *His* entry on horseback in the first *act, after the slaying of the* satrap Abimelech, was striking. When they [illegible] drowned by the audience, Myun-Whun Chung and the orchestra did admirable justice [illegible] the crystal-clear scoring – I had not spotted before how much *Daphnis and Chloe* owes *to the nature music of the sec*ond act. The chorus sounded well in the soft chantings, less so in full flood – something goes wrong in this cold house with the synchronisation of vocal and instrumental tone.

At the end the audience made its verdict thunderously clear. Chung had an ovation, there was hearty applause for Fondary and a friendly [illegible]tion even for the no more than [illegible] small-part singers. [illegible] the principals [illegible] the bird. *Nobody on the production* [illegible] call. [illegible] anyone who loves [illegible] music it was a saddening evening. Saint-Saëns is easy [illegible] facile minds. He was a fine composer, now usually underrated, an all-round musician of Protean gifts, one of the few Frenchmen to reach in his lifetime (and for decades to keep) a leading position in world music. He has surely by now paid the penalty for his unforgivably enormous popularity.

Ronald Crichton

Schoeck's Venus

CITY THEATRE, ST GALLEN

For 27 years, Othmar Schoeck was chief conductor [illegible] the symphony orchestra in St Gallen, [illegible] it is appropriate that his music should still have [illegible] regular hearing there. A few years ago, the city theatre successfully revived *Vom Fischer* [illegible] *syner Fru*. Now comes *Venus*, the first time this compact 80-minute opera has been staged in Switzerland since the composer's death in 1957.

[illegible] biographer, K.H.David, describes *Venus* as "an opera for making music" and "a large symphonic song", an impression confirmed by the Heidelberg staging in 1989. Despite [illegible] flawed libretto (based on Merimee's *Venus of Ile* [illegible] Eichendorff's novella *The Marble Image*), the opera contains some of Schoeck's most beautiful music. Unfortunately, the St Gallen performance left [illegible] very different impression.

Venus is a marble statue given as [illegible] wedding present to Horace, a neurotic playboy. He is increasingly obsessed with [illegible] as the embodiment [illegible] the female ideal – to the point where he *ignores his bride and* their [illegible] and eventually expires. [illegible] director Paul Flieder tackled this in the spirit of Freudian analysis: *Venus* as psychodrama, the story of a man who can only love women if they are objects of fantasy or art.

In Flieder's production, [illegible] introduced [illegible] invisible being somewhere at the back of the auditorium, which [illegible] while the wedding guests take part in a surreal orgy behind glass panels. She then assumes the form of six expressionless ghost-women, who waft in and out of Otto Sujan's simple [illegible] dining-chairs and candelabra. Doris Hersmann's *costumes* [illegible] an [illegible]sphere of decadent [illegible], offset by the sinister appearance of black-coated attendants. Horace's uncle is cast not as the donor of the statue but as an *agent provocateur* (perhaps [illegible] shrink?), who stimulates his nephew's subconscious to [illegible] point where Horace strangles his poor bride in the final scene.

Seen in this light, *Venus* has *little to distinguish it* from the 1920s vogue for erotic symbolism cultivated by Korngold, Zemlinsky and Schreker, with their rich, clamorous palette of sound. The work may indeed have more to it than meets the eye, but its dramaturgy is simply not strong enough to support such interpretative wilfulness. This staging smothered the music (there were even some awful electronic additions). Schoeck's intimate string cantilena was scarcely recognisable: instead, the abiding impression was of abrupt changes of mood, of black chords and nervous ostinatos.

The orchestral playing under Eduard Meier was [illegible], if over-heated in tempo and dynamics. Richard Brunner's agonised Horace possessed neither the heroic ease nor the lyrical beauty of tone for Schoeck's tenor writing. None [illegible] the [illegible] roles has [illegible] substance, but Stefanie May *impressed in the Straussian* soprano part of Simone. The smaller male roles were poorly sung. *Venus* needs more sensitive treatment than this – perhaps Wexford might have a go? Meanwhile, we can look forward to a concert performance at the Lucerne Festival, tied in with [illegible] commercial recording.

A few days before the *Venus* first night, another Schoeck rarity – the Horn Concerto (1951) – *turned up in one of* the Berne Symphony Orchestra's subscription concerts. It is an economical and undemonstrative 20-minute work, which gives the so[illegible] so little time to breathe that the horn is hard put to create a distinctive profile – even against a purely string accompaniment. The overall effect is a trifle bland. But this performance by David Johnson, sensitively *accompanied by Sir Alexander* Gibson, was still worth hearing.

Andrew Clark

OBITUARY

Coral Browne

The actress Coral (Edith) Browne, who died yesterday, was born in Melbourne, Australia in 1913, and began at first to study painting. Her first professional stage appearance, in Galsworthy's *Loyalties*, was not made until 1931, then she continued in the theatre, in Australia until 1934, in England after that, making her London debut in *Lover's Leap* in 1934. She was a versatile player, good in Shakespeare at the Old Vic in 1957-8, [illegible] lighter parts in Wilde, in *What the Butler Saw* and *Charley's Aunt*, particularly memorable in *Mrs Warren's Profession* in 1970. She was wonderfully funny in the film of *The Killing of Sister George*, and effective in the television film, *An Englishman Abroad*. She was twice married, the second time to the actor Vincent Price.

St John Passion

ST JAMES'S, PICCADILLY

The seventh Lufthansa *Festival of Baroque Music* – 11 evening events at St James's Church Piccadilly – *opened on* Tuesday with a performance of Bach's *Passion According to St. John* given by The Bach Ensemble under Joshua Rifkin, whodisarmingly announced in his programme-note that "the *St. John Passion* of Bach does not exist".

That is to say, there is an enormous textual problem for anyone seriously attempting fidelity to what may be inferred to be Bach's "intentions". Several versions of the work exist. Rifkin plumped [illegible] for that of the work's first [illegible]formance in Leipzig on Good Friday, 1724, nor for the composer's revised versions of 1725 or 1730, but for the musical text and vocal-instrumental complement of his revival of [illegible] in [illegible]

[illegible] *text*, we [illegible] told, conforms [illegible] the familiar [illegible] numbers, [illegible] diverges from it in numerous details. The performing forces on Tuesday [illegible] 16 players and eight singers, who doubled [illegible] *soloists* and chorus. Period instruments [illegible] (*including an* [illegible] *da caccia*, an oboe d'amore, and a splendidly [illegible] grosso", precursor of the contra bassoon). the [illegible] keyboard [illegible] not the usual harpsichord but an [illegible] a mellow-toned instrument with usefully strong bottom-notes, played adeptly by [illegible]

It [illegible] then, [illegible] and [illegible] rendering [illegible] the *work as you can get*; [illegible] chamber-scale performance [illegible] to have [illegible] full [illegible] of the music's grandeur and sublimity; [illegible] a textural [illegible] from [illegible] finish. The opening instrumental [illegible] a dark, woody, [illegible] quality which in itself contrib[illegible] powerfully [illegible] drama. [illegible] singers, magically able to [illegible] at the same time, brought out the complexity *of this remarkable* opening chorus in a way that [illegible] both incisive [illegible] mysterious.

In Rifkin's meticulous and alive reading (he is one of the *most economical yet evidently* inspiriting of conductors), balance *of voices and* [illegible] carefully controlled throughout, but [illegible] was no [illegible] blending of sonorities, [illegible] between the vocal and instrumental parts often, indeed, being explored. Tenor John [illegible] was [illegible] most mettlesome and persuasive Ev[illegible] and found a supple line [illegible] affecting slow [illegible] for his aria "[illegible] Jesu, [illegible] dein [illegible] bitter Leiden". Stephen [illegible] brought [illegible] large [illegible] Christ's utterances, and Henry Wickham, the "[illegible] ripieno", had [illegible] noteworthy vocal freshness. Countertenor David Cordier sang "Er [illegible] vollbracht!" touchingly, [illegible] Sarah Cunningham's viola [illegible] gamba obbligato here [illegible] achingly eloquent. It [illegible] evening of masterful *music-making*.

Paul Driver

INTERNATIONAL

ARTS PREVIEW

& EXHIBITIONS

The Berlin Philharmonic Orchestra visits New York next week to take part in the Carnegie Hall centenary celebrations. Bernard Haitink will conduct all [illegible] programmes. The [illegible] on Thursday [illegible] Haydn's Symphony [illegible] Ninth. [illegible] Friday, the programme [illegible] devoted [illegible] Mahler's Sixth Symphony, which [illegible] orchestra has just [illegible] to great [illegible] under Klaus [illegible] in Berlin. [illegible] final concert [illegible] Saturday opens with Mozart's overture to Le nozze di Figaro and the Haffner Symphony, followed [illegible] Brahms' [illegible] Symphony.

The third Festival de Paris, which begins on Monday, [illegible] Austria as [illegible] theme. The opening event [illegible] concert performance of [illegible] early opera Il [illegible] pastore by [illegible] Salzburg Mozarteum Orchestra conducted by Hans Graf. Ingrid Haebler gives [illegible] Mozart and [illegible] piano recital [illegible] the Salle Gaveau (Wed), and Paul Badura [illegible] will play a cycle [illegible] Mozart piano [illegible] in four concerts [illegible] June 12. [illegible] visitors include the Vienna Chamber Orchestra and the soprano Margaret Price (June 18), and the Vienna Symphony Orchestra and Youth Chorus, who will be conducted by Georges Prêtre in the closing concert in [illegible] Dame (June [illegible].

[illegible] opening later next week are the Handel Festival at *Halle* [illegible] *the Aldeburgh* [illegible] The Handel Festival [illegible] the threat of closure which has been hanging over [illegible] of [illegible] Germany's smaller music institutions [illegible] unification. Christian Kluttig conducts Jephtha at the Martin Luther University (Thurs), [illegible] on the following four days the [illegible] and [illegible] Theater give [illegible] performances [illegible] and [illegible] – *Arianna in* [illegible] *and Amadigi* [illegible] Gaula.

[illegible] *this year's* composer-in-residence [illegible] Aldeburgh. Next Saturday, [illegible] Cleobury conducts a production [illegible] Birtwistle's [illegible] Punch and Judy, [illegible] by the composer. The London Sinfonietta gives [illegible] world premiere [illegible] Two Songs [illegible] by Rilke (June 19), and Simon Rattle conducts the CBSO in The Triumph [illegible] Time (June 21). Among [illegible] Britten concerts [illegible] a programme [illegible] arrangements conducted [illegible] Steuart Bedford and [illegible] Britten/Bridge recital (June 20).

The 23rd German Jazz Festival [illegible] place [illegible] Bockenheimer Depot in Frankfurt. This year's guests [illegible] the Manhatten Jazz Quintet, the Art [illegible] Don Pullen, and Albert Collins' [illegible]

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Chinese Painting: scroll paintings and album leaves on paper and silk [illegible] century. Ends June [illegible]. Also [illegible] century Dutch [illegible] French paintings from [illegible] own [illegible] Mon

Stedelijk Museum *Prints by* [illegible] Meryon (1812-1868), ranked with Piranesi as the greatest of [illegible]. Ends Aug 4. Daily

BARCELONA

Fundacio [illegible] **Miro** Sergi Aguilar: sculptures [illegible] drawings [illegible] [illegible] Lee [illegible] images by [illegible] early [illegible] century American photographer. Ends June [illegible]

BERLIN

Altes [illegible] (1891-1968): centenary retrospective of [illegible] Berlin-born photo-montage [illegible], [illegible] life-long [illegible] beliefs. Ends July 11. [illegible] Mon and Tues

Museum für [illegible] **Kunst** Metropolis: a [illegible] of [illegible] in [illegible] 1990s, with [illegible] by artists from 20 countries. Ends July 21. [illegible] Berlin Today [illegible] Tomorrow: plans for [illegible] future by 17 prominent [illegible]. [illegible] Photographs by Marta [illegible] (b1901), [illegible] examples of [illegible] experimental work [illegible] period [illegible]. [illegible] July [illegible] Closed Mon

[illegible] Imperial Art from the Dutch [illegible] Willem II: [illegible] paintings, 20 [illegible] of sculpture [illegible] 300 artefacts, including [illegible] and furniture [illegible] the time of Frederick the Great, much of which has never left the [illegible] 1920. Ends [illegible] 29. Closed [illegible]

BERNE

Kunstmuseum Emblems of Liberty: [illegible] image of [illegible] republic in art from 16th to 20th century, with paintings by Durer, Veronese, Rembrandt, Goya, Delacroix, van Gogh and [illegible]. Ends [illegible] [illegible]

CHICAGO

Art Institute [illegible] retrospective of the American photographer since his death in 1976. Ends July 21. Also English [illegible] French Printed [illegible] 100 examples mainly from 18th and [illegible]

COLOGNE

Schnutgen [illegible] *Book* [illegible] in [illegible] era [illegible] the 10th *century* [illegible] Theophanu. Ends June 16. [illegible] Mon

MADRID

Fundacion Juan [illegible] Maria [illegible] da [illegible] 64 [illegible] paintings by the Portuguese [illegible] (b1906), distinctive for [illegible] prismatic effects. Ends July 7. Daily

MUNICH

Antikensammlung Ceremonial and ritual drinking bowls from [illegible] examples from ancient [illegible]. Ends [illegible]. Closed Mon

Kunsthalle der Hypo-Kulturstiftung [illegible] Chagall: 111 paintings and [illegible] wall tapestries from American [illegible] European collections. Ends [illegible]

[illegible] Nikolaus Lang (b1941): collages using natural [illegible] from Australia. Ends [illegible] Expressionist [illegible] 173 [illegible] by [illegible] of [illegible] Brucke and Blaue Reiter. Ends July 7. [illegible] Mon

Villa [illegible] Fake: [illegible] of copying by [illegible] Bidjo, [illegible] numerous startling examples. Ends Aug [illegible] Closed [illegible]

NEW [illegible]

Brooklyn [illegible] The Blue of *Jingtal*: 35 [illegible] mainly from the *18th century Qianlong* [illegible] Tiffany [illegible] and glass [illegible] *from the early 20th century.* Ends [illegible] 30. [illegible] Tues

Metropolitan Museum of Art The Sculpture of Indonesia: ancient Hindu sculpture, delicate gold figures [illegible] Buddha. [illegible] Aug 18. [illegible] retrospective. Ends June 16. [illegible] Mon

[illegible] **of** [illegible] **Art** [illegible] (1913-67): [illegible] *retrospective* [illegible] the [illegible], [illegible] 80 *paintings*, [illegible] *gouaches* underlining [illegible] relationship [illegible] Expressionism and [illegible] of Roberto [illegible], examining [illegible] of one of the most important 20th century landscape [illegible] and [illegible] Printmakers: 55 [illegible] showing [illegible] David Hockney, Jasper Johns, [illegible] Rauschenberg and others [illegible] possibilities [illegible] print [illegible] in [illegible]. Ends Aug 13. Closed Wed

PARIS

[illegible] **Georges Pompidou** André Breton [illegible] wide-ranging [illegible] recreating the [illegible] world [illegible] one [illegible] the leading [illegible]. Ends Aug 26. [illegible]

Galérie Daniel Malingue [illegible] *Kisling: retrospective* [illegible] the Polish-born member of [illegible] cosmopolitan [illegible] de [illegible]. Ends July 14. Closed Sun

[illegible] **Schmit** French Masters of [illegible] 19th [illegible] centuries: [illegible] annual [illegible] by [illegible] prestigious [illegible] gallery [illegible] with its roll-call of great names, [illegible] year [illegible] a jewel-coloured [illegible]. Ends July 18. [illegible] Sun

[illegible] 100 works by *Rodin's disciple and* tragic [illegible]. Ends June 20. [illegible] Mon

Louvre, Pavillon de Flore 16th and 17th centuries, with 137 works from [illegible] Spanish [illegible]. Ends July 22. [illegible]

Louvre [illegible] **Antiquaires** Seating power: [illegible] development of [illegible] furniture, including *a maharajah's throne, guilded* [illegible] XIV armchairs [illegible] *nouveau* [illegible]. *Ends Aug* [illegible]

Louvre (entry through the Pyramid) [illegible] of Saint-Denis. [illegible] June 17. Closed Tues

[illegible] at all metro stations and museums, to avoid queuing [illegible] museums including [illegible] Louvre, [illegible] d'Orsay and Versailles

STUTTGART

Staatsgalerie [illegible] Ernst: centenary retrospective [illegible] German-born Surrealist, [illegible] works from [illegible]. [illegible] Aug 4. [illegible]

VENICE

Fondazione Cini Michelangelo and the [illegible] photographic [illegible] documentation [illegible] the restoration, prints [illegible] inspired by [illegible] frescos [illegible] group [illegible] original preparatory drawings [illegible] Michelangelo. Ends July 28. Closed Mon

Palazzo Grassi The [illegible] Dec 8. Daily

VIENNA

Albertina Dutch drawings from the Abrams [illegible] drawings mainly from [illegible] early 17th century, including Rembrandt and his school. [illegible] Martin [illegible] (b1949): prints and etchings [illegible]. Ends *June 30. Daily*

Kunstforum Länderbank [illegible] Kokoschka: 90 *paintings from* worldwide collections. Ends June 23. Daily

Museum of the 20th century Image-Light: developments in non-material forms [illegible] painting, [illegible] as [illegible] consisting only [illegible] light and pure colour. [illegible] July 7. [illegible] Wed

WASHINGTON

[illegible] **Gallery** Robert *Rauschenberg (b1925): 150* examples of [illegible] influential [illegible]. Ends Sep [illegible]. Daily

WEIMAR

Autonomes Cultur Centrum Picture [illegible] from the Bauhaus: 60 art photographs documenting [illegible] lifestyle of [illegible] famous school [illegible] and design. Ends June 22. Closed [illegible] Mon

WIESBADEN

Museum Alexej Jawlensky and Agnes Martin: [illegible] artist Jawlensky (1864-1941) was influenced [illegible] Matisse, [illegible] the Blue Four with Kandinsky, Klee and Feininger, and [illegible] in Wiesbaden. Martin (b1912), winner [illegible] Jawlensky memorial prize, is linked to the [illegible] York abstract expressionists. [illegible] July 21. Closed Mon

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Lamont's hard line on Emu

A COMPROMISE may yet be reached in [redacted] European Community's inter-governmental conference on economic and monetary union. But Mr Norman Lamont is not going to make finding one [redacted] That [redacted] the main conclusion [redacted] be drawn from the [redacted] cold [redacted] that he poured on those seeking early [redacted] to [redacted] single currency at yesterday's conference on Emu [redacted] by the Royal Institute [redacted] International Affairs. Yet the [redacted] over; from his remarks, it has hardly begun.

The chancellor is, for [redacted]ple, "happy to rebut [redacted]tions that we are 'abandoning' the hard ecu". The idea is making some headway, he opines, and "we are certainly not so [redacted] throw [redacted] good idea just [redacted] our partners [redacted] with us!" He [redacted] equally happy to [redacted] claimed for a single currency, to express fears that it could prove worse than the exchange rate mechanism and [redacted] emphasise [redacted] economic divergences among member states, and the likely need for "a massive increase" in fiscal transfers after Emu.

[redacted] Lamont [redacted] gusto in offering his lengthy list of issues – apart from the [redacted] question" – that are still to be resolved: the convergence required before moving to subsequent stages; the role of fiscal policy; the timing of the establishment of any European System of Central Banks; exchange rate policy; and the risks of [redacted] two-speed Emu.

Distinct perspective

The "British question" can, however, never be ignored by a British chancellor. The [redacted] perspective is distinct, as is [redacted] by the remark [redacted] Emu is "a process, not a final destination". Furthermore, "we cannot accept any changes to the Treaty of Rome that would bind us to move to [redacted] single currency or single monetary policy without a separate decision by the United Kingdom government and parliament.

"Our aim in negotiating that Treaty," remarks Mr Lamont, [redacted] to enable the Community to make early progress [redacted] greater economic convergence in [redacted] non-inflationary manner; to ensure [redacted] our refusal to [redacted] ourselves now to a move to a single currency is respected; to allow all member [redacted] forward in [redacted] common framework, and [redacted] make the best possible institutional and economic arrangements for future [redacted] Emu".

So is perfidious Albion on a wrecking expedition? Probably not.

First, Mr Lamont is [redacted] introducing new considerations. He [redacted] restating old [redacted] so revealing that, [redacted] far [redacted] the UK is concerned, no progress has been made towards deciding either the destination [redacted] the [redacted]

Legitimate concerns

Second, the chancellor's concerns about Emu [redacted] legitimate. It [redacted] an [redacted] question [redacted] Emu would [redacted]cessfully, at [redacted] without greater [redacted] centralisation, much larger [redacted] labour market flexibility than at present. [redacted]ertheless, [redacted]ment [redacted] the ERM and rejection [redacted] objection. [redacted] argu[redacted] early [redacted] full Emu are also ones [redacted] exchange rate flexibility. But it may be difficult [redacted] maintain [redacted] ERM without exchange controls, once the possibility of exchange rate adjustment [redacted] widely recognised.

Finally, the chancellor insists that "we have always been confident that we can negotia[redacted] Treaty that meets the aspirations [redacted] us all". [redacted] might [redacted] agreement [redacted] like? The ecu will [redacted] hardened, but it will not be managed by a new financial institution. The [redacted] single [redacted]rency will be established, but the decision to move to it will be left for another day. Surveillance will increase, but binding [redacted] on [redacted] policy will not be imposed. [redacted] two-speed move to Emu [redacted] occur, but that decision, too, can be left until later.

The UK will remain both sceptical and unwilling. But the odds remain that it will be dragged along kicking and screaming in the end, because it would kick and scream still more if left behind. Under Mr John Major, the screaming may not be loud. But his chancellor has now shown that he is rather good at the kicking.

Hot air [redacted] gas prices

PROTESTS over [redacted] rise in profits [redacted] British Gas tend to share one assumption: that gas prices are too high. Yet [redacted] prices would [redacted] certainly increase [redacted] consumption – an [redacted] outcome on conservation grounds. [redacted] of economic efficiency suggest that gas prices [redacted] probably [redacted] rather than fall.

[redacted] enjoyed [redacted] price advantage over other [redacted] fuels [redacted] many [redacted] and [redacted] thus become the overwhelming preference of housebuyers. The new pricing formula agreed [redacted] British Gas and [redacted] the end [redacted] April may [redacted] a [redacted] per [redacted] drop in [redacted] real price [redacted] further widening [redacted] advantage [redacted] electricity; [redacted] price formula is [redacted]

Industrial [redacted] prices [redacted] low, as the [redacted] by British [redacted] increase the price [redacted] new [redacted] March dem[redacted] With [redacted] competition in electricity supply, new generating capacity [redacted] largely planned [redacted] gas- rather than coal-powered – threatening [redacted] demand at [redacted] prices [redacted] which British [redacted] could not [redacted] The [redacted] per [redacted] price [redacted] represented [redacted] desperate attempt to clear the [redacted] rather than avaricious profit-seeking.

The playing field for energy supply is far from level, and the tilt towards gas appears to [redacted] increasing. [redacted] reason is the historical: the high capital [redacted] exploration and distribution had largely been amortised before privatisation. [redacted]sumers probably enjoy [redacted] prices below the level needed [redacted] increasing supplies and [redacted] indulge in [redacted] sort [redacted] energy arbitrage which British [redacted] sought [redacted] stem in March.

Marginal [redacted]

Gas prices may have [redacted] rise, to ensure that the price more closely approximates [redacted] long-run marginal [redacted] supplying additional [redacted] Higher gas prices would, [redacted] increase British Gas profits still further – raising [redacted] even greater [redacted] There would [redacted] political case [redacted] to extract as much as possible [redacted] rental element in [redacted] profit, in much the [redacted] way as [redacted] petroleum fiscal regime. [redacted] use [redacted] the revenue might be [redacted] benefit pay[redacted] to low-income [redacted]ers whose heating [redacted]

Apart from the economic benefits, higher [redacted] prices would [redacted] conservation. [redacted] some proceeds of a [redacted] could [redacted] remedy imper[redacted] in [redacted] energy [redacted] which [redacted] consumption [redacted] to price signals. For example, developers and own[redacted] multi-occupancy buildings normally [redacted] little inter[redacted] in [redacted] efficiency [redacted] the appliances they [redacted] Individual consumers may [redacted] capital [redacted] or more effi[redacted] appliances, even where [redacted] payback period [redacted] short. [redacted]ts selling appliances often lack the knowledge [redacted] direct [redacted]ards more [redacted] appliances (or [redacted] more by selling [redacted] efficient ones).

Consistent savings

[redacted] energy [redacted] developed [redacted] imperfections, including [redacted] payments for developers who install high-efficiency appliances, [redacted] tariffs [redacted] consumers who [redacted] savings [redacted] programmes for [redacted] and [redacted] man[redacted] for energy [redacted] among US energy [redacted] is not altruistic: [redacted] utility regulators insist that [redacted] demand [redacted] energy should be [redacted] through measures [redacted] curb demand where this is [redacted] cost-effec[redacted] than added capacity.

Ofgas [redacted] begun to [redacted] this approach in the UK: the new gas price formula allows [redacted] include energy saving [redacted] in its [redacted] conservation cannot [redacted] industry regula[redacted] For one thing, there [redacted] be a [redacted] of [redacted] – if [redacted] most [redacted] approach is [redacted] fuel altogether, for example. There is [redacted] case for a super-regulator, to ensure that the [redacted] society [redacted] a whole are not neglected. Such a regulator would have great power and would need [redacted] operate transparently and with clear lines of accountability [redacted] parliament [redacted] government.

The British economy is poised between recession and recovery, with optimists and pessimists straddling the divide, writes **Charles Leadbeater**

Industrial sunrise or a false dawn

They are like [redacted] shoal of struggling swimmers. With their chins bobbing just above [redacted] water line, their toes are [redacted]perately searching for the bottom [redacted] recession that has become deeper than almost anyone expected.

In [redacted] minds of these struggling swimmers, Britain's industrialists, there are two main questions. First, how [redacted] will the recession last and [redacted] weak will be the [redacted] that follows it? Second, how much [redacted] will it leave?

Two [redacted] three months [redacted] the short-term outlook was unremittingly gloomy. The prospects for some industries are now improving marginally. But the pattern of [redacted] is patchy.

In the past week companies which are considered good guides to [redacted] the economy have reported seeing no sign of [redacted] Mr James Watson, chairman of NFC, the transport, freight and distribution company said: "Although [redacted] is [redacted] about [redacted] not see this [redacted] into higher demand."

Mr Iain Vallance, executive chair[redacted] of BT, the telecommunications group which has 25m customers, says: "The decline in [redacted] volumes has begun to slow but there is no sign of an upturn and we do not know when it will come."

Companies as diverse as [redacted]chi & Saatchi, the advertising [redacted] and Blue Circle [redacted] cement [redacted] have this [redacted] warned that profit margins are still falling.

The [redacted] of Britain's [redacted]omy, poised [redacted] and [redacted] borne [redacted] by [redacted] of the relative trading conditions [redacted] their companies. [redacted] remain pessimistic. Mr Sid Taylor, [redacted] operating officer [redacted] TI, [redacted] specialised engineering [redacted] "We [redacted] not expect to see much growth in [redacted] UK until [redacted]"

Mr Graham [redacted] chief [redacted] United Engineering Steels, [redacted] UK's second-largest [redacted] maker which is a leading supplier to [redacted] automotive industry, says: "We were pessimistic six months ago but we were not expecting anything as bad as this. [redacted] not [redacted] bottom yet."

[redacted] growing confident [redacted] corner, if not yet turned it. Mr Martin Taylor, chief executive of [redacted] Textiles, says: "My hunch is that we are probably at the bottom, although the underlying trend is weak and flat."

This mixed assessment of the [redacted] of the economy in part reflects the difficulty of discerning a clear underlying trend after the economic hiatus [redacted] by [redacted] unrelated factors – [redacted] Gulf war, bad weather and the increase in [redacted] from 15 per cent to 17.5 per [redacted]

[redacted] clear is that some [redacted] will [redacted] just [redacted] going down. Retailers and house[redacted] may be witnessing the first stirrings [redacted] growth but machinery makers [redacted] just beginning to feel the [redacted] of cuts [redacted] investment.

According [redacted] the [redacted] Industrial Trends Survey profit expectations vary considerably across sectors. In health and household products, food manufacturing and brewing, expectations turned up at start of the year. In capital goods, publishing, printing and packaging they are still falling.

[redacted] of the [redacted] recovery [redacted] be coming together. Inflation and interest rates are falling. Consumers are getting their finances [redacted] control by tailoring their borrowings to their income.

The dominant view among industrialists and economists is that a [redacted]nation of domestic and [redacted] should turn [redacted] into recovery in the final three [redacted] of this year. In [redacted] UK, corporate finances should soon start [redacted] show the beneficial effects [redacted] cost-cutting programmes and destocking. Internationally, executives at British companies with subsidiaries in the [redacted] report [redacted] resurgence of [redacted] which they hope means the US will help to pull the UK out of recession.

Yet there are significant risks that industry may [redacted] witnessing [redacted] dawn. The steep fall [redacted] bank lending to £700m in March leads some observers to fear that industry is facing a credit crunch. Small businesses complain that the banks have not passed on the full benefits of interest rate reductions. Mr Terry Barker, chief economist at Cambridge Econometrics, a forecasting group, says: "If banks cut credit lines to shore up their own finances that could prolong recession well into next year."

Slowing growth in Germany and a longer than expected recession in the US could result in shrinking export markets. Rapidly rising unemployment could depress confidence, while uncertainty over the timing and outcome of Britain's general election will make companies cautious about investment. Most important, the process of reducing interest rates might be thrown into reverse if interest rates in Germany rise to choke off inflation. That could put the British government under pressure to raise interest rates here to keep sterling within its band in the ERM.

On balance it seems that Britain is on course for a weak recovery in the autumn, so weak that it may not be easy to identify. Yet even if the economy does manage to turn the corner after the summer, industry could be counting the costs for years to come.

There are two different assessments of the long-term significance of the recession for British industry. They hinge on sharply contrasting explanations of the link between this downturn and its forerunner in 1980-81.

- The "pessimists" argue that it is no accident Britain has suffered two deep recessions in a decade. There [redacted] malign link between them as they both provide evidence of persistent, deep-seated weaknesses within British industry, still requiring radical treatment, for instance to boost research and development.
- The "optimists" believe there is a benign link between the two reces[redacted] The [redacted] the systemic [redacted] which afflicted [redacted] industry in [redacted] – low productivity, slim profitability [redacted] international competitiveness. [redacted] one will prove how much [redacted] industry has [redacted] It will come through relatively unscathed.

Which of these accounts turns out to be the more accurate is important for both companies and poli[redacted] This recession will [redacted] much [redacted] agenda for the [redacted] years. If the optimists are [redacted] that industry is fundamentally sound, companies and politicians may only need to fine-tune policies. If the pessi[redacted] case is borne out, executives and politicians will need to consider more radical programmes of economic reform and modernisation.

Most industrialists are on the optimist wing of the debate.

Mr David Lees, chairman and chief executive [redacted] GKN, [redacted] components and industrial [redacted] says: "In the [redacted] running too many businesses which only made profits in the good times. The main difference with [redacted] is that this time we do not have a loss-making business in our portfolio."

Mr Robin Biggam, chief executive of BICC, the cable maker and construction group, recalls closing a plant a week during the last recession when he worked in the textile industry. This time he has closed only three plants, one of which would have been closed anyway and two where closure was accelerated. Mr Biggam says: "The last recession was the watershed. As long as we get interest rates and inflation down there need not be a crisis this time."

Industry has been hardest hit in areas of relatively unsophisticated commodity production, such as steel, spinning and fertilisers. There the de-industrialisation which swept through Britain in 1980-81 has re-appeared. [redacted] problem plants were glossed over during a period of growth when poor plants could earn profits. They have become plainly apparent in the [redacted] of recession.

IMI, the Midlands engineering group, for instance, is ending copper production at its Aston site. Mr Gary Allen, the group's chief [redacted] says: "Small losses could have become very large, very quickly. To compete would have required investments in the tens of millions, which is hard to justify for a product which does not command a premium price."

But the crisis of smoke-stack industry is nowhere near as pervasive a phenomenon as it was a decade ago, when it claimed such victims as Alfred Herbert, once the largest machine-tool maker in the world. This time the only significant recent industrial collapse has been CH Industrials, the mini-conglomerate.

Companies in need of radical surgery are much thinner on the ground. Now manufacturing groups are more likely to be vulnerable because of the financial fragility of their debt-burdened balance sheets, rather than because of deep-seated industrial failings, such as endemic overmanning.

The contraction of traditional industry may be less pronounced than it was in 1980-81. But it is more difficult to assess the recession's impact on re-industrialisation, which started in the mid-1980s. Will that process of re-invigorating industry to make it more internationally competitive stall because of the recession?

Sir Christopher Hogg, chairman and chief executive of Courtaulds, the speciality materials maker, identifies this as the main issue of the recession. He says: "The factor which has driven change in the last decade is rising international competition, especially from the Far East. The recession has to be seen in that context. It is just one more factor companies have to take account of as they fight off more intense competition and meet higher and higher standards."

There are some grounds for confidence that the development of British companies will not be unduly stunted. Mr Vic Luck, a manufacturing specialist at KPMG Peat Marwick McLintock, the management consultancy, says: "At many companies this is the second recession managers have gone through, so they are better at cutting costs without cutting into the muscle of their businesses."

In two sectors – consumer electronics and motor manufacturing – the UK has built up an internationally competitive position as a manufacturing base almost entirely thanks to foreign investment, much of it from Japan. This source of re-industrialisation should not be overly affected.

However, there are concerns that insidious damage is being inflicted at the moment, which may only come to light after the recession is ended.

Whether you incline towards the pessimists' or the optimists' view, it is clear there will be a widening gap between what Britain is good at and bad at. In speciality chemicals and pharmaceuticals, UK industry is strong enough to withstand the recession. But in sectors such as mechanical engineering, long-standing weaknesses will be exposed.

Even in some areas where the UK is internationally competitive, industry may be set back. Defence, for example, is suffering its own peculiar recession which has stemmed from lower military spending at the end of the cold war. Because the UK is particularly dependent on defence spending to fund research and development in aerospace and electronics, lower defence spending may weaken manufacturing's international competitiveness in key areas.

Many manufacturing companies will respond to recession by attempting to move out of high-volume production of commodity products which trade on cost and price, and into specialist niche markets where products can command a premium price based on their design and technology. These niche markets are in theory less vulnerable to economic downturn.

Although this strategy may be sensible for individual companies, it may not make sense for an entire country because the manufacturing base may become too narrowly focused. Mr Steve Young, a manufacturing specialist at AT Kearney, the management consultancy, says: "We cannot become a nation of niche producers. That might be enough for some smaller economies. But the UK needs to have some large, volume producers making products for mass markets to maintain a sizeable manufacturing base."

So, as the industrialist swimmers make it to safety at the poolside, some laggards may be so exhausted from their exertions that they can hardly move, let alone keep up with the fit competition from Germany and Japan speeding along in adjacent lanes.

Filling a hole

There may be no surprise about the fact that Helmut Schlesinger is taking over as president of the Bundesbank. But it is far less clear who [redacted] going to fill the other, equally important vacancy left by Karl Otto Pöhl's early retirement – the chairmanship of the EC Central Bank Governor's Committee.

Since Pöhl is stepping down at the end of July, the matter has to be settled fairly smartly. Before Pöhl took over in 1990, the job had been rotated annually amongst the various central bankers. However, as the debate about European monetary union has intensified, the job was made more permanent and Pöhl is midway through a three year term.

Although the governors have agreed on a final draft of the statutes for the proposed central bank system, the next chairman still has an important job to do.

Given that Schlesinger is going to retire in September 1993, it could be argued that he should take over. However, this is a mite too simple. Jacques de Larosière, ex-boss of the IMF, is an obvious choice. But the French have more than their share of top jobs at the moment. The Dutch might have stood a chance but Wim Duisenberg is chairman of the Bank for International Settlements.

Britain's Robin Leigh-Pemb[redacted] is the obvious [redacted] he is expected to retire in June 1993. However, he will have [redacted] prove [redacted] he is [redacted] under the thumb of the UK Treasury.

Highland fling

For the first time in the highly staged process of floating ScottishPower and Hydro-Electric, there was a discernible buzz in the air at the Balmoral Hotel for the Scottish version of impact day.

OBSERVER

That may have owed something to a belief among ministers that Scots, who previously have had a low take-up of privatisation issues, may show themselves enthusiastic investors in their own electricity companies. About 900,000 Scots, out of a population of 5m, are believed to have registered, and the government has decided that a possible 58 per cent of the offer will be available to the public, higher than any offer except British Gas.

Stock Exchange rules allow up to half of that amount to be allocated to customers, whose applications will be given a degree of preference over those of non-customers (including English people). That could mean a respectable 29 per cent of the offer going to Scots. Will the Scots turn out to be Thatcherite capitalists after all?

Hidden agenda

Nothing much changes at ADT, Michael Ashcroft's secretive security and car auction company, judging by the arrangements for next Monday's annual meeting in Hamilton, Bermuda.

"There will be every possible attempt made to keep it as private as possible that's the nature of the beast," says an ADT spokesman. Only shareholders registered before May 7 will be admitted. Its by-laws forbid even proxy holders attending unless they own shares [redacted] Nosey journalists will definitely be stopped at the door. Indeed it's unlikely that many shareholders will turn up, given that a roundtrip economy fare from the UK costs £854.

Perhaps things will change after Monday's meeting. The main item on the agenda is to expand the board, with four new seats earmarked for ADT's biggest shareholder, Laidlaw of Canada, and another four for independent non-executive directors. As part of a peace offering to Laidlaw, ADT also promised move to quarterly reporting and to seek a listing on the New York stock exchange.

"I won't see you to the door, I've got my wage packet in my pocket."

Happy ending

Unrealistic Hollywood sentimentality or a sign of changing US attitudes to work? *Thirtyso*[redacted] the popular television series which charts the ageing pains of America's baby-boom intelligentsia, was killed off by the ABC network this week.

It left behind an unambiguous message to ladder – climbing executives – your family is much more important than your career. That line might not have struck much of a chord in the frenetic 1980s, when American yuppies transformed the country's deep-seated work ethic into [redacted] workaholic obsession. But the *thirtysomething* swansong does seem to reflect an attitude change in the 1990s, with research suggesting that Americans are placing more value on a balance between work and home, often at the expense of their careers.

Nevertheless, the final episode is still a bit too good to be true. Michael Steadman, the agonising central character, is faced with starting a new advertising career in California. His wife, Hope, insists it would destroy their marriage.

In the final shot, Michael chooses Hope over glory. In real life, however, the male work imperative remains so strong, and the balance of power between the sexes so uneven, that he would surely have gone West, and she followed, protesting horribly.

Grim repeater

Australian politics is one of the country's favourite blood sports, and Treasurer Paul Keating its finest exponent. If you want to find the ultimate political putdown, the 47-year-old Keating is the world's primary source.

He once described an attack on him as like being "flogged by a warm lettuce" and dismissed [redacted] comeback by a fellow politician as a soufflé, because soufflés never rise twice. Opponents were characterised variously as "harlots, sleazebags, perfumed gigolos, criminal garbage or gutless spivs". One international body was dubbed the mushroom club "because they keep you in the dark and feed you with bullshit".

But perhaps his most damaging aside was when he said Australia was drifting towards "banana republic status". It led [redacted] a sharp drop in the Australian dollar and a new nickname – the Pacific peso.

Tasteful

A popular hair style in England at the time of the French Revolution was the *coiffure [redacted] la victime*, the hair being short and dishevelled, and [redacted] red ribbon worn around the neck.

A cacophony of new technologies

Mini discs and digital cassettes are competing for audio enthusiasts' approval. Michael Skapinker and Robert Thomson assess the industry response

In the mid-1970s, Sony of Japan came up with what it thought was a world-beating video-cassette recorder. It was wrong. Its Betamax video was massively outsold by the competing VHS system.

Until this month, it looked as if Sony was heading for a second defeat. Its effort to introduce Digital Audio Tape (DAT) to complement the compact disc had failed. Record companies seemed to prefer a different recording system, Digital Compact Cassette (DCC), which Philips, the Dutch electronics giant, plans to introduce next year. Ominously for Sony, Matsushita of Japan, its perennial rival, was rumoured to be backing the Philips version.

Sony has now hit back with yet another music technology. Its recently-announced Mini Disc system plays a miniaturised version of the CD, with the added advantage that it can also record music.

Mr Alain Levy, chief executive of PolyGram, the London-based music company, is irritated by Sony's latest initiative. Part of his annoyance is corporate loyalty. PolyGram is 80 per cent owned by Philips. But Mr Levy also argues, with some justification, that the music-buying public is thoroughly confused. Having just got used to compact discs, it is now being bombarded with three new technologies.

Behind the scramble to produce a new taping system is the success of digitally-recorded compact discs. The CD provided musical sound of a more consistent quality than vinyl records or the traditional audio cassette. After a slow start in the mid-1980s, CD unit sales rose to 600m in 1989, compared with 450m long-playing records, according to the International Federation of the Phonographic Industry (IFPI).

Equipment makers like Sony were quick to conclude that digital tape would replace the audio cassette in the same way that CD was replacing the LP. Sony introduced DAT in 1986, but the music companies shunned it. Industry executives say that even CBS Records, which Sony bought in 1988, has been slow to produce pre-recorded DAT music.

The reason for the record companies' reticence was a fear that DAT machine owners would use them to make pirate digital recordings of compact discs, thereby cutting into CD sales. In 1989, the equipment manufacturers and the music companies signed the Athens Agreement, which attempts to limit pirate recordings. DAT manufacturers agreed to install a device which allows owners of recorders to make one digital copy of a particular recording but prevents them from making subsequent copies. Both industries believed this would prevent large-scale piracy without discouraging recorder sales.

Song-writers and music publishers are still demanding compensation for the losses caused by home taping, but the Athens Agreement was sufficient to encourage other Japanese companies to begin making DAT recorders. After production of only 33,932 machines in 1988 and 40,559 in 1989, output rose to 167,122 last year. Production in the first two months of this year was 54,965 units, according to the Electronic Industries Association of Japan (EIAJ).

Nevertheless, DAT has failed to become a mass-market product and Sony now accepts that it is unlikely to become one. BIS Strategic Decisions, a high-technology consultancy, estimates that fewer than 150,000 DAT players were sold worldwide last year. This compares with 31.2m CD players and 146.5m old-fashioned audio-cassette machines. Sony says it now sees DAT as a niche product, appealing to high-spending audio enthusiasts.

Apart from problems caused by the music companies, Sony concedes that DAT, as a complicated new system, was a victim of its own sophistication. Philips believes that a new digital taping system must build on a format consumers already understand – the traditional audio tape, still the most popular music medium with unit sales of 1.5bn in 1989. DAT machines play only digital tapes. Philips's new machines can play both traditional and DCC tapes. The digital tapes will not, however, work on old-fashioned cassette players.

Philips says its new system has the backing of most of the world's big music companies, including PolyGram, EMI, Bertelsmann and Warner. Mr Gerry Wirtz, a senior product manager at Philips, says that by asking the music companies to help with the development of DCC, the Dutch company hopes to escape the antipathy experienced by DAT.

Philips says Tandy of the US will manufacture DCC players. It has not discouraged reports that Matsushita, the world's biggest consumer electronics company, is also backing DCC.

Mr Wirtz says that the DCC should not affect CD sales. Despite their attractions, CDs do not travel well. Car CDs miss a few beats if the vehicle hits a bump in the road. Likewise, portable CDs do not react well to jostling on the Underground. The DCC, like the audio cassette, is unaffected by such movement. Sales of portable and car cassette players totalled 128.3m last year. Philips is aiming the DCC at this sector. "We see a need in the market for something to take with you in the car or to the beach," Mr Wirtz says.

Sony's Mini Disc can also go in the car or to the beach. The company says it has solved the CD's vibration problems by including a memory chip in the Mini Disc player. The chip stores three seconds of music at a time. If the machine is jolted, the chip provides the missing music until it rights itself. Because the Mini Disc can record as well as play, it poses a threat to DCC.

Mr John Bird, a consultant with BIS, believes the timing of Sony's announcement was no accident. "The other Japanese companies are considering their options at the moment. The DCC looked like becoming the prefered option. Then Sony drops this on the table and says: 'let's not be too hasty'."

Philips dismisses the Mini Disc as being of no immediate importance. "To a very large extent, we think it's to keep up Sony's image as a very innovative company," Mr Wirtz says.

Analysts in Japan are divided over the Mini Disc's prospects. Mr Barry Dargan at James Capel says that "we don't think it's going to do much at all". He said that while Sony continues to lead in the introduction of new products, some of them – such as a video Walkman and electronic books – have had limited success. But Ms Naoko Matsumoto at S G Warburg Securities says: "We think disc is going to be a huge market. The Mini Disc should be reasonably priced; it can be a big success if marketed in a Walkman-type way."

Mr Tsutomu Sugiyama, Sony's director of corporate communications, accepts that the company will have to win the support of other electronics manufacturers and of the music industry if the Mini Disc is to succeed.

If Sony's aim was to slow the DCC band-wagon, it appears to have succeeded: Matsushita, widely regarded as a DCC supporter, appears to be keeping its options open. If it backs out, Philips will have lost its most important supporter. "We are studying DCC and we are studying Sony's announcement," a senior Matsushita official said. The company, renowned for conservative but profitable decisions on new consumer technologies, said that "there are still many things to consider" before a formal decision is made.

Other Japanese makers are equally vague. Pioneer Electronic, which specialises in audio equipment, said that "we are very interested in the technology" of both DCC and Mini Disc, but "nothing has been decided" and "we are studying offers from both Philips and Sony".

Kenwood, another audio equipment specialist, said that it, too, is "studying very carefully the different technologies". The company said competition in consumer electronics is so fierce that "you can't ignore a sophisticated new technology".

Mr Charles Koppelman, chairman of the US-based SBK Records Group, says the battle will be won by the machine that is cheapest and easiest to use. "At the end of the day, it's the consumers who will make their minds up," he says.

A UK-based record industry official replies: "The consumer decides nothing." If the record companies do not provide the music, consumers cannot safely invest in the machines. Mr Koppelman concedes that the availability of tapes will be the third deciding factor.

There are no signs yet of record companies defecting from DCC, but the position of equipment makers could be decisive.

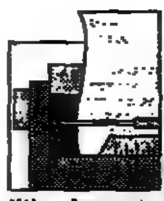
Record companies are more likely to support a format if they believe it will become a world standard.

Philips thought it had its supporters lined up, but Sony's announcement has resulted in some of the equipment makers pressing the pause button.

PERSONAL VIEW

Making the market for transport work

By Chris Castles



The announcement by Mr Malcolm Rifkind, transport secretary, this week that he wants to expose British Rail to competition demonstrates the government's belief in market forces. The government wants rail, bus and air transport operators to work in a competitive market on commercial principles, charging prices for services which cover costs and generate the funds required for investment. It wants to extend these principles to the provision of roads by encouraging privately-funded toll roads as an alternative to congested public roads.

However, the government has found that the transport market is not operating efficiently. Differences between the way alternative methods of transport are financed and priced distorts the choices people make, particularly between the private car and public transport. Overall, transport has been provided too cheaply in relation to the costs involved and this has generated excessive demand.

Furthermore, the government is held responsible by the public for the shortcomings of our transport system. It needs to maintain subsidies for socially necessary services, and it needs to regulate monopoly powers in some parts of the transport market.

Imperfect market mechanisms distort the provision of the right type and quality of services for consumers. They blunt the incentive for efficiency in public transport operations. They also make it difficult to generate the funding required for urgently needed investment. The growing problem of congestion highlights market weaknesses. It is physically impossible to cater for all the demand on some parts of the transport network, at some times of the day. This urban affliction is spreading rapidly to other parts of the road, rail and air transport system.

The government cannot rely on the market and private sector initiative to address our transport problems. It is unrealistic to expect the private sector to be any more successful than the public sector in generating investment funds, or tackling congestion on road or rail if prices are kept below transport system costs.

There is considerable reluctance among the public and in government to use pricing to manage demand on congested parts of the transport system. In the short term, rationing the use of scarce transport capacity by price may imply charging high prices for congested, poor quality services.

We therefore continue to subsidise London commuters. The effect of this is to constrain the funds available to BR and London Underground for the investment they need to provide more tolerable daily journeys to work.

At the centre of the transport debate is the role of the private car. Unlike other methods of transport, we do not charge a price for the use of roads. Neither do we set fuel duties to relate directly to the costs of using roads. The fact that road users do not pay for the costs they impose at the point of use, creates distortions in the market.

Free access to the roads means there is no way of making the use of scarce road space a priority. It also undermines public transport operators. Bus services suffer from congestion on the roads. The railways are unable to charge prices at levels which will fully recover their costs.

The case for road pricing is strongest in congested urban areas. Drivers using congested roads impose a large external cost on other road users through their contribution to traffic jams and delays. They also create an environmental cost through air pollution, noise and visual intrusion. If these costs were paid for through pricing the use of roads directly, demand would fall and congestion would be relieved. The funds generated could be used both for investment to improve the range of transport services available and to substitute for present taxes on road users.

If prices which reflected the full costs that cars impose were charged to road users, more people would be attracted to public transport. This would enable a better balance to be achieved between public and private transport.

In the long term, an effective system of pricing for transport may reverse some of the trends which have moulded our way of life to the use of the car. Rising car ownership has reshaped our towns and cities and transformed rural life. It is not unrealistic to visualise a revival of local community life in a society which gives more priority to rational pricing for transport.

The Department of Transport has forecast that, if present trends continue, road traffic demand could grow between 68 per cent and 112 per cent between now and 2025. The consequences for congestion, quality of life and the wider environment would be high.

Some policies have been developed to curb growth. The incentives for providing company cars have been gradually eroded in successive budgets. Local authorities are introducing traffic-calming measures. Parking fines have increased and there are occasional purges to enforce them. And now the transport secretary has announced a two- to three-year programme of research into all aspects of road pricing.

It is not surprising that the arguments for road pricing have been difficult to sell politically. But it is becoming increasingly untenable to continue using congestion as the primary regulator of transport demand. The political price for this is being paid now by the widespread frustration of people using our inadequate transport system. As the public has become more aware of the options and their implications we can hope for a more rational and coherent approach to planning, managing and regulating our transport system.

The author is partner responsible for Coopers & Lybrand Deloitte's transport group.

LETTERS

UK transport policy: the lamentable record, and a working alternative

From Mr William Plowden.

Sir, It is deeply depressing to read your account (May 28) of Mr Malcolm Rifkind's speech on transport policy, including the announcement of more research on urban traffic congestion and on the scope for road-pricing. It led me to blow the dust from my surviving copy of my long-remaindered book, The Motor Car and Politics in Britain (1971). This originated, as I said there, with my query as to why, over the previous 75 years, we had allowed "the users of private cars... to dictate the pattern of traffic to every other road user". It concluded that the history of the motor car, to that point, was one "of choices not made, nor even defined, by government – and consequently made by default".

In researching that book I had visited the Transport and Road Research Laboratory, and saw functioning prototypes of road-pricing devices. These had been developed following the 1964 report of the Smeed committee, which recommended road pricing as the most efficient means of traffic restraint.

What has been happening in the quarter century since? What can further research achieve except, as you say in your editorial, to shelve the issue? Many people are rightly critical of the inability of US governments to grasp the problem of gun control; the British record on car control seems every bit as lamentable, and the consequences as damaging.

William Plowden,
845 East 80th Street,
New York

From Mr David Porter.

Sir, Your editorial (May 29) concludes that Mr Rifkind's proposals will not solve the problems of traffic congestion.

It is interesting that when large numbers of us go to Sainsbury to shop on Friday evening we tolerate a form of congestion. Neither do we complain when we crowd together for a major sports event. We seem to recognise that it results from our own decisions, freely made. In contrast, when we encounter congestion on the way to work, we prefer to blame it on the local council or the government.

If so many of us insist on working in the same place at the same time, there will be congestion. New roads and better railways will have only a limited effect on the problem. If we are really serious about solving it, we should change our working habits.

David Porter,
Christmas Cottage,
Herodsfoot,
Liskeard, Cornwall

Fax service

LETTERS may be faxed on 071-873 [illegible]. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Living with a global standard

From Professor John Rogerson.

Sir, The National Federation of Self-Employed and Small Businesses has reason to be concerned about the costs of certification to BS 5750 ("Management: the growing business", May 28) but I do not think their problem lies in the standard itself. BS 5750 is a global standard which defines some clear management criteria which even small companies are able to work to.

The problem lies in the interpretation of it by some of the certification bodies. There is certainly evidence that an over-bureaucratic and mechanistic approach is sometimes used (and not just on small companies) which leads to unproductive administration and the unnecessary generation of paper. Nowhere in the standard is there a requirement for such activity.

I suggest that when the National Federation discusses the matter with BSI they talk about sensible and appropriate interpretation of the standard rather than the standard itself. The National Federation should also realise that its members are in a sense customers of the certification bodies and that the accredited certification body which is most responsive to their needs might get all their business.

John Rogerson,
Cranfield Institute of Technology,
Bedford

The wider co-operation that is needed in the wake of Chernobyl

From Margaret J Anstee.

Sir, As the United Nations co-ordinator for international assistance in the wake of Chernobyl, recently returned from a visit to the damaged reactor and the contaminated areas, I read with interest your article, "Hot spot of contention" (May 22), which discussed the report published under the auspices of the International Atomic Energy Agency.

It is not my intention to comment on the scientific investigations but rather to point out that, whatever conclusions are reached, large numbers of people have suffered, and will continue to suffer, grievous consequences (not only in health, but also from contaminated agricultural land and water, obligatory resettlement and social and psychological stress).

All aspects of the situation will have to be carefully monitored for many years to come, not only in the interests of the affected people, but also because there are valuable lessons to be learnt by other countries.

The study sponsored by the IAEA, though very important, is not the only response of the UN system to the request of the Soviet Union and the affected republics for international co-operation.

The UN general assembly adopted a resolution at the end of last year which not only called on the international community to provide support, but also requested the secretary-general to co-ordinate a UN system programme to mitigate the consequences of the accident and appeal for voluntary contributions from member states.

Work is now well advanced on a joint programme prepared by the authorities of the USSR, Byelorussia, the Ukraine and the Russian Federation with the technical support of the UN system. This will comprise projects addressing the economic and social problems resulting from the accident and take full account of programmes already initiated. It will be presented to a Pledging Conference which the UN secretary-general will convene in New York in September.

The general assembly's resolution was passed by consensus. I hope there will be similar consensus in providing funds, not only from governments and international organisations but also from the private sector. I hope also that the Financial Times will give similar publicity to these proposals when the time comes.

Margaret J Anstee,
United Nations Office At Vienna,
Vienna International Centre,
PO Box 500,
A-1400 Vienna

BAe commitment to universities

From Mr J M Wooding.

Sir, Both Professor Roland Smith and his colleagues at British Aerospace were as astonished as Manchester University's acting vice-chancellor (Letters, May 24) to read the report of Prof Smith's remarks ("Research skills rare in north", May 21) to a National Economic Development Council meeting.

To suggest that British Aerospace has little contact with the University of Manchester, or any other British university for that matter, is a total misrepresentation of the facts. British Aerospace has a number of joint research and consultancy programmes with British universities, including the University of Manchester, and we fund quite a number of of university posts in engineering and science. Prof Smith himself is chairman of the University of Manchester Institute of Science and Technology Appeal Fund, which has been an outstanding success.

As a company we employ 28,000 graduate engineers and we recruit about 1,000 graduates – mostly engineers – every year. We spend over £100m per annum on education and training programmes inside and outside our business.

We believe that a strong science and technology base in the UK is essential for its competitive success and that a strong base will only develop from well-funded universities.

J M Wooding,
director of public affairs,
British Aerospace,
11 Strand WC2 5JT.

FINANCIAL TIMES

Friday May 31 1991

Milosevic issues ultimatum to Croatia

By Judy Dempsey in Ljubljana and Laura Silber in Belgrade

THE POLITICAL temperature in Yugoslavia was raised [redacted]terday by Serbia's President Slobodan Milosevic when he warned the *republic of* [redacted] that it could become independen[redacted] only [redacted] it [redacted] behind part [redacted] that territory which is inhabited by the Serb minority.

This condition implies Mr Milosevic recognises [redacted] cannot stop the move [redacted] independence by Croatia. However, he remains determined [redacted] impose [redacted] heavy price.

His nationalist and [redacted]ry speech to the [redacted] Communist-dominated parliament came [redacted] Mr Alexander Bessmertnykh, the Soviet foreign minister, joined west European leaders in expressing alarm at Yugoslavia's internal [redacted]

In Rome, Mr Bessmertnykh said [redacted] was concerned [redacted]cially about "how the develop[redacted] in the [redacted] could affect the whole of Europe". This echoed French [redacted] François Mitterrand [redacted] Germany's Chancellor Helmut Kohl who, meeting in Lille, said in a joint [redacted] they "view the worsening clashes ... as a danger [redacted] the stability of the region and to Europe [redacted] whole".

The European Community indicated that additional financing for Yugoslavia's reforms could [redacted] forthcoming [redacted] and when a consensus is [redacted] *about the country's future.*

In Belgrade, [redacted] Jacques Delors, president of the Euro[redacted] Commission, [redacted] Mr Jacques Santerre, Luxembourg's prime minister, [redacted] separately [redacted] Markovic, the [redacted] prime minister, and presidents [redacted] the [redacted] republics.

Mr Markovic [redacted] seeking [redacted] the banks, reach convertibility for [redacted] Yugoslav dinar, [redacted] revive capital investment. [redacted] government [redacted] was trying [redacted] convince the EC delegation [redacted] economic restructuring would facilitate any political consensus.

[redacted] *Milosevic* [redacted]bian parliament that "the republics [redacted] on separation [redacted] question of internal borders". [redacted] republics [redacted] Croatia have already opted [redacted] independence through [redacted]

Yesterday, Slovenia's parliament passed eight of 16 [redacted] will [redacted] for its independence, [redacted] planned for June [redacted]

In Croatia, [redacted] Franjo Tudjman [redacted] parliament [redacted] the republic [redacted] up independence, possibly attaining it by [redacted]

But [redacted] Slovenia, [redacted] is ethnically homogenous, [redacted] path will be more [redacted]ficult [redacted] 10 [redacted] people [redacted]

Serbs living in the Croatian region [redacted] Krajino, which borders [redacted] Serbia, [redacted] already declared autonomy [redacted] Croatia [redacted] they [redacted] join [redacted]

Mr [redacted] speech [redacted] clearly appealing [redacted] in Croatia, [redacted] republic [redacted] Bosnia-Hercegovina.

Leyla Boulton follows the politician who has become [redacted] holy apparition to his people

Yeltsin prepared to fight God for Russia

FOR THE thousands of supporters who shouted and pushed just to [redacted] glimpse, Mr Boris [redacted] provincial [redacted] of Tula yesterday [redacted] like a holy apparition.

For [redacted] leader, it was just another day on [redacted] campaign trail in [redacted] run-up [redacted] Tuesday's presidential elections. ([redacted] campaign manager, however, prefers [redacted] trips [redacted] problems".)

Tanya, a teacher, one of [redacted] 10,000-strong [redacted] massed in Lenin Square to [redacted] hero, [redacted] "I pray [redacted] day that nothing will happen to him".

When [redacted] Nikolayevich finally [redacted] up - after [redacted]ing his [redacted] engagement [redacted] hurt - the microphone didn't work. [redacted] that was all right; at least they could devour him with their eyes.

As [redacted] and clapped, the vigorous 60-year-old [redacted] his hands in [redacted] air and smiled with an inscrutable look in his eyes. He then grabbed [redacted] megaphone to deliver his [redacted] of greater [redacted] for the [redacted] Federation, the largest of the [redacted] republics, combined with radical [redacted] and political reform.

"I am prepared to fight with God himself to obtain sovereignty for Russia...we have [redacted] press ahead with reforms now if [redacted] are to avoid [redacted] explosion," he warned. He [redacted] promised to bring [redacted] the shops, while asking people "not to [redacted] offended if [redacted] is initially done with imports".

"Boris Yeltsin is our only hope," sighed Liuba, an engineer.

The chairman [redacted] the [redacted] parliament [redacted] almost [redacted] win Russia's first-ever direct presidential elections, [redacted] seven [redacted] of Communist rule, and before that, centuries of hereditary tsardom.

Yet many in the crowd - which ranged from pensioners and students to young profes[redacted] and workers with vodka-hardened faces - voiced fears that foul play could [redacted] victory for his conservative challenger, [redacted] Nikolai Ryzhkov, [redacted] former [redacted] prime [redacted]

Alexandra Nekrasova, a cleaner by trade, voiced an oft-held opinion [redacted] the Commu[redacted] party would try to rig the elections. [redacted] in the crowd said [redacted] Communist party officials were going around local [redacted] and collective [redacted] demanding signatures in support of Mr Ryzkhov, the darling of Communist party con[redacted]

Few people could spell out in detail what the radical reforms promised by Mr Yeltsin would entail.

But his campaign against the Communist party, which [redacted] year, and his criticism of the government's sharp price [redacted] were just a few [redacted] reasons they trust him.

"What's his programme? [redacted] to reject [redacted] system must be destroyed," said Tanya, the teacher, who declined to reveal her surname. "He has promised [redacted] lower food prices for us [redacted]sioners," [redacted] Svetlana, an old lady who said that government compensation was not enough to cope with the doubling of food prices.

One hour later, Mr Yeltsin [redacted] his way to [redacted] a conference of higher education directors (after skipping another planned meeting).

[redacted] setting was slightly [redacted] intimate, [redacted] crowd [redacted] more sophisticated. [redacted] promises of a better [redacted] the [redacted] if tailored [redacted] particular [redacted] "If we [redacted] make education a super priority, then other [redacted] will not work."

Reading [redacted] prepared speech, he spoke [redacted] what the Russian parliament had done so far to help the ailing education system and what he would do in future. He got some of the figures wrong, but appeared to win over most of his [redacted] with [redacted] quick wit of a stand-up comedian.

[redacted] it was off [redacted] his [redacted] appointment - to [redacted] just [redacted] Tula, where [redacted] of [redacted] industry is [redacted] in arms production. Chased by a [redacted] journalists, Mr Yeltsin's orange van and police [redacted] suddenly pulled over and [redacted] Russian [redacted] vanished into [redacted] woods.

"[redacted] is resting," [redacted] the gruff security [redacted] who kept intrigued journalists at [redacted] safe distance. Half an hour later, Mr Yeltsin was back on the road, but never to be seen again, since he managed [redacted] give correspondents the slip.

Boris Yeltsin yesterday in Petrozavodsk on the campaign trail with builders' co-operative leader Vadim Tumanov

THE LEX COLUMN

Tight prices for the Scots

Barring another rude intervention by a Japanese broker, [redacted] might finally be about to float a brace of electricity companies at only a modest discount to their actual value. On the face of it, the 5.1 per cent yield on the integrated [redacted] companies looks well judged, being similar to that now available on the two generators and half a point below that on the package of distribution companies. Perhaps more important, at 5.1 per cent the issue is twice covered by institutional demand.

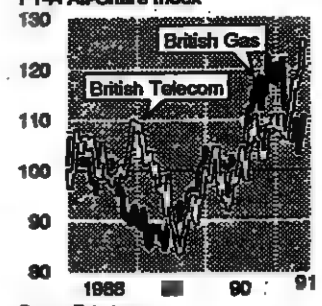
The formal bidding system first used for the sale of the [redacted]tors apparently worked [redacted] that [redacted] down to 4.7 per cent, [redacted] level [redacted] were thought unlikely to subscribe. In reaching the final price, the government seems [redacted] worked on the premise that every 0.1 per cent of sacrificed yield represents a 5p premium to the partly-paid offer price. Thus, 5.1 per cent in theory leaves room for a 20p premium if demand in early trading stops at a 4.7 per cent yield equivalent.

But it is far from obvious that the investment case for either of the companies is strong enough to justify a discount to the present market yield of 4.9 per cent. It is worth remembering that the flotation yields on the distribution companies and the generators were 8.4 and 6.3 per cent respectively. Wise investors will weigh up the long-term attractions rather than taking a premium [redacted] granted.

FT-SE [redacted] (-1.7)

UK utilities

Share prices relative to the FT-A All-Share Index



Source: Datastream

Brent Walker

The toppling of Mr George Walker, while scarcely unexpected, is replete with ironies. The £1.3bn debt mountain which crippled his company was incurred largely through branching out into pubs and betting shops in the late 1980s. It is those assets which its bankers propose to keep, selling off the hotels, golf courses, marinas and so forth which constitute its traditional business.

Either way, Brent Walker's shares still look worthless. The banks do not propose large-scale dilution of existing holders, provided the rescue goes to plan. But the process will be painfully slow, involving the completion and sale of various half-built leisure developments while relying on the pubs and betting shops to pay the bills. Shareholders will have no say in the details; if they object, the banks, which have prior charge on all the [redacted] will simply call in the receivers.

This is not a serious threat, if only [redacted] loss would scarcely be affordable by poor old Standard Chartered. But the banks deserve everything they get. Although the vast sums lent to Mr Walker were spent on tangible assets, the only foreseeable outcome is a gradual dismembering of the company, rather than a Polly Peck-style collapse.

British Gas

It is becoming increasingly clear that valuing British Gas shares is as much a job for Westminster as the City. The company's claims about cheapness and quality of service are in one sense immaterial. Last year, it made 37 per cent more profit in the UK from selling 6 per cent more gas. Since this is an argument which involves the electorate every time it pays its bills, the eventual risk is that the political parties will start to compete over which will bash the privatised monopolies the hardest.

Although British Gas's profitability is not [redacted]ous – less so than BT's, anyway – it is certainly better than average. In the five years since privatisation it has increased its net earnings by an average of 16 per cent a year, twice the growth rate of UK quoted companies overall. Its net return on shareholders' funds last year of 15 per cent and operating margin of 21 per cent also look above average, though they pale beside BT's 20 per cent and 27 per cent respectively. In such a context, the short-term effects of the new Ofgas regime scarcely matter. More important for the market is whether the historic yield of 6.6 per cent – a one-third premium to the [redacted] – adequately p[redacted] the [redacted]. Whichever party wins the next election, it might not do to count on it.

Platinum

There [redacted] differences between Nissan's announcement [redacted] a palladium catalytic converter for car exhausts and a similar bombshell from Ford which hit the platinum market in 1988. The first is that Nissan's converter also dispenses with the ridiculously expensive rhodium which now earns about as much for the likes of Lonrho as platinum. The second is that Nissan's statement is likely to prove more credible, if only because it could not afford to lose face.

Still, commercial use of the new converter is several years away and it may be viable only for small-engined cars. So short-run demand [redacted]r platinum should not be as badly affected as yesterday's 7 per cent drop in the price to $366 an ounce [redacted] In the longer run the [redacted] development should weigh psychologically on the platinum market even more than the present marginal oversupply. That will reduce costs for the motor industry at a time when use of platinum is due to grow as emission standards tighten, particularly in Europe. It is also a crumb of comfort for Johnson Matthey, which, besides refining and trading platinum, makes converters as well.

Thorn EMI

The market was evidently relieved yesterday that the drop in Thorn's profits was kept to 18 per cent and that rumours of a rights issue were unfounded. But at 711p, it is hard to see the shares making serious progress in the short term. The company sees no prospect of an underlying improvement in its businesses until next year, and thereafter much will depend on whether the economic recovery is consumer-led. The prospective multiple is in line with the market average, which seems about right.

It still seems remarkable that nobody [redacted] a pot-shot at Thorn in the predatory 1980s. That [redacted] certainly unlikely now. [redacted] company [redacted] already done some of its own unbundling and provided a clearer focus by concentrating group resources very successfully on music and more doubtfully so on rental. There are still all those activities referred to pointedly as "others": but presumably buyers will turn up eventually.

Israel responds warily to Bush plan for curbing Mideast arms

By Hugh Carnegy in Jerusalem

ISRAEL yesterday responded warily [redacted] President George Bush's proposals for arms suppliers and Middle East states to [redacted] conventional arms, ballistic missiles and nuclear, chemical and biological weapons.

Officials, while wanting to be [redacted] co-operate with [redacted] initiative, were worried [redacted] the implications for Israel's nuclear deterrent.

The government [redacted] in the awkward position of never having publicly acknowledged possessing nuclear arms, and it [redacted] the emphasis placed on [redacted] build-up of conventional arms by Arab states.

Mr Moshe Arens, the defence minister, [redacted] in Tel Aviv with Mr [redacted] Cheney, the US [redacted] secretary, that the government would study the initiative "very carefully" and [redacted] it with the US. "Basically we are very strong supporters [redacted] arms [redacted] We've been the major victims of the lack of arms control," [redacted] said.

In public Mr Cheney was at pains [redacted] reaffirm that Washington's commitment to [redacted] security [redacted] "absolutely unshakeable", and he announced [redacted] additional military assistance programmes.

The US is to fund 72 per cent of the second stage [redacted] development [redacted] the joint [redacted] project to produce an anti-ballistic missile interceptor.

Israel will [redacted] 10 F-15a [redacted] F-15b fighter bombers [redacted] part [redacted] $700m (£404.60m) package of military aid agreed by Congress during the Gulf [redacted] supplement Israel's annual $1.8bn military grant.

Israeli military analysts interpreted Mr Bush's proposals as effectively seeking [redacted] on nuclear weapons development in the region.

Mr [redacted] Alpher [redacted] the Jaf[redacted] Centre for Strategic Studies, said: "As it [redacted] accepted in the world [redacted] Israel [redacted] capacity [redacted] the Arabs and the Iranians do not, this is a freeze [redacted] an Israeli advantage ... as it appears, it is a big advantage". Tehran [redacted] Arab capitals [redacted] this, Iranian state [redacted] branding the initiative [redacted] in place [redacted]rent.

Cairo [redacted] initiative, but [redacted] that "all [redacted] in the region" should [redacted] by a ban on all [redacted] Mr Alexander Bessmertnykh, the [redacted] foreign minister, saw [redacted] proposals as "interesting and positive", but needing clarification.

[redacted] Bush proposal [redacted] inter[redacted] inspection could cause considerable friction in Tel Aviv. Israel is thought to ha[redacted] 100 [redacted] has never signed [redacted] Treaty, as many [redacted] states [redacted]

Mr Yitzhak Shamir, [redacted] prime minister, [redacted] Mr [redacted] that conventional [redacted] build-up in nearby Arab states constitutes a threat [redacted] destruction to Israel.

US seeks to toughen controls on tied aid for eastern Europe

By George Graham in [redacted]

THE US [redacted] pressing for tougher controls [redacted] stop industrialised nations tying their aid for east[redacted] Europe [redacted] Soviet [redacted] goods and [redacted] bought in their own countries.

[redacted] Organisation [redacted] Co-operation and Development has so far adopted only a [redacted] of principle that aid [redacted] Europe should [redacted] be tied to purchasing in the donor country.

[redacted] tied aid [redacted] to an export subsidy [redacted] can [redacted] seen as distorting trade.

[redacted] officials are trying to toughen [redacted] "gentleman's agreement" by introducing [redacted] formal declaration into the communiqué [redacted] be [redacted] meeting [redacted] week.

[redacted] position is under[redacted] by Austria, which [redacted] that the "gentleman's agreement" [redacted] not stopped tied aid, but is likely to run [redacted] objections [redacted]dic [redacted] some EC countries.

However, some [redacted] they are surprised [redacted] the US initiative, since [redacted] appear to be [redacted] of [redacted] agreement to date.

Agricultural products, as well [redacted] military [redacted] and [redacted] trade related aid such as structural adjustment loans, are [redacted] from [redacted] the "gentleman's agreement".

But the [redacted] tied aid can present some grey [redacted] especially [redacted] can [redacted] defined as humanitarian.

[redacted] problem [redacted] is Germany's DM7.8bn [redacted] gramme to build housing [redacted] Union for [redacted] troops who are to leave eastern Germany. Agreement [redacted] been reached that 60 per cent of the building [redacted] go [redacted] German companies.

Nissan's car exhaust advance sends metal prices plunging

Continued from page 1

If they [redacted] successful, [redacted]mpany was likely to intro[redacted]ce the device in Japan [redacted] it was fitted [redacted] exported vehicles or Nissan cars made in the US or UK.

Mr Gordon Thorburn, executive director [redacted] Johnson Matthey, [redacted] world's largest supplier [redacted] autocatalysts, [redacted] the [redacted] announcement did [redacted] herald a big change in autocatalyst design. Palladium catalysts were already in limited [redacted] in Japan, [redacted] lower [redacted] lead [redacted] sulphur in petrol. [redacted] palladium catalysts [redacted] unlikely [redacted] be [redacted] much use outside Japan except in [redacted] with platinum [redacted] catalysts," he said.

[redacted] device [redacted] advanced [redacted] platinum-free catalytic converter announced by Ford in [redacted]

Tougher US emission [redacted] regulations [redacted] 1970s [redacted] makers [redacted] fit [redacted] devices, [redacted] companies have [redacted] been researching the technology in an attempt to reduce its cost and improve car performance.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	21	70
Algiers	C	21	70
Amsterdam	S	17	63
Athens	F	20	68
Bahrain	S	30	86
Bangkok	C	32	90
[redacted]	F	[redacted]	86
Beirut		–	–
Belfast	C	13	55
Belgrade	F	18	65
Berlin	S	[redacted]	66
Biarritz	C	23	73
[redacted]	[redacted]	33	91
Bordeaux	[redacted]	[redacted]	[redacted]
Boulogne	F	[redacted]	61
Brussels	S	[redacted]	66
Budapest	C	18	65
Buenos Aires	C	27	80
Cairo	S	27	81
Cape Town	R	13	55
Caracas		–	–
Casablanca	C	21	70
Chicago	F	22	72
[redacted]	[redacted]	23	73
Copenhagen	S	[redacted]	[redacted]
Corfu	F	21	70
Dallas	C	24	75
Dublin	C	14	57
Dubrovnik	F	19	66
Edinburgh	C	[redacted]	[redacted]
Faro	F	20	68
Florence	S	26	79
Frankfurt	F	21	70
Geneva	S	21	70
[redacted]	F	23	73
Glasgow	F	14	57
Helsinki	S	15	59
Hong Kong	F	31	88
Innsbruck	F	21	70
[redacted]	S	13	55
Islamabad	F	35	95
Istanbul	S	[redacted]	[redacted]
Jakarta	C	34	93
Jersey	F	14	57
Johannesburg	S	16	61
Lima	[redacted]	[redacted]	72
Lisbon	C	20	68
London	C	13	55
Los Angeles	C	14	57
Luxembourg	F	21	70
Madeira	C	20	68
[redacted]	F	22	72
Majorca	S	[redacted]	77
Malaga	F	25	77
Malta	C	[redacted]	[redacted]
Manchester	C	11	52
Manila	F	30	87
Melbourne	[redacted]	18	64
Mexico City	[redacted]	26	79
Miami	[redacted]	26	79
Milan	F	19	66
[redacted]	S	17	63
[redacted]	C	[redacted]	59
[redacted]	S	[redacted]	[redacted]
Nairobi	F	24	75
Naples	S	21	70
Nassau	F	30	86
New Delhi	[redacted]	38	100
New York	[redacted]	23	73
Nice	C	18	65
Nicosia	S	28	82
Oporto	C	18	[redacted]
Oslo	[redacted]	20	68
Paris	[redacted]	23	73
Peking	C	[redacted]	73
Prague	F	18	64
Reykjavik	S	14	57
Rhodes	S	[redacted]	[redacted]
Rio de Janeiro	F	[redacted]	[redacted]
Rome	S	[redacted]	[redacted]
Salzburg	[redacted]	20	68
[redacted]		11	52
Seoul	C	[redacted]	73
Singapore	F	31	88
Stockholm	C	15	59
Strasbourg	F	22	72
Sydney	C	17	63
[redacted]	F	14	57
[redacted]	F	21	70
[redacted]	F	22	72
Tenerife	S	[redacted]	[redacted]
Tokyo	S	22	72
Toronto	C	20	68
[redacted]	T	21	70
Valencia	F	23	73
[redacted]	S	21	70
[redacted]	F	18	65
Warsaw	F	18	64
Washington	S	26	79
Zurich	S	18	65

Temperatures at midday [redacted] C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail [redacted] S–Sunny [redacted] T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Friday May 31 1991

INSIDE

British Gas £1.5bn profit ignites storm

British Gas, the UK gas utility, ignited a storm of protest yes[illegible] when it unveiled record pre-tax profits of £1.5bn ($2.58bn), an improvement of £493m [illegible] per cent on the year. *The announcement*, made by chairman and [illegible] executive Robert Evan (left), [illegible] *a torrent of critical reac*[illegible] from politicians, consumer bodies and the [illegible] industry regulator. The company attributed much of the *advance to colder* [illegible] *after the exceptionally mild winter* [illegible], and [illegible] that it was "ripping off" customers. Details, [illegible] 21

Slick change for Pemex

Pemex, Mexico's state oil monopoly, has come a long way since the days when it was [illegible] of the world's most inefficient companies. In the past two years, it has reduced the power of unions, introduced sore[illegible] market discipline, and restructured *its chaotic finances*. But impressive as these [illegible] are, they do not go [illegible] enough, [illegible] Damian Fraser. Page 25

Renaissance for the bourses

Stock markets – long regarded by some as among the least attractive trappings of the developed capitalist system – have enjoyed a [illegible] many left-leaning governments [illegible] the Third World. A new report sug[illegible] many developing countries now view [illegible] important [illegible] promoting development. [illegible] the successes of the past decade and what work still needs to be done. Back Page

Asda tops the shopping list

Market speculation is rife over a takeover bid *for Asda, Britain's fourth-biggest supermarket* chain, sparking brisk trade in the company's shares. But although the wave of market gossip may ultimately come to naught, many analysts still harbour doubts about Asda's long-term future in the food retailing market. John Thornhill reports. Page 22

Signs of life [illegible] Histadrut

[illegible], the huge industrial arm of [illegible] country's [illegible] union federation, is showing signs of life [illegible] years of moribund perfor[illegible] in reviving Koor [illegible] – assuming [illegible] restructuring [illegible] – could lay to rest criticisms that a trade [illegible] should not run [illegible] modern Israeli economy. [illegible] this far without fundamental changes in the way it operates. Hugh Carnegie reports. Page 18

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Absa	18	Iberd[illegible]	16
Aliança Seguradora	16	KOP	16
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Babcock Intl	23	[illegible]	[illegible]
Bank of NZ	18	L.A. Gear	17
Bett Brothers	22	Macarthy	21
Bond Corporation	20	Macdonald Martin	22
British Gas	21	Martin Currie Euro	22
CNL	20	McCarthy & Stone	22
Capital Radio	21	Mitsubishi Materials	18
Cerus	16	NIOC	16
Chrysler	17	Nedlloyd	16
Courtney Pope	21	Scholl	21
Dunhill	22	Scottish Inv Trust	22
Eurocopy	22	Smart (J)	22
European Colour	22	South West Water	16
Fondiaria	16	TNT	18
Ford Motor	17	Tesco	21
General Motors	17	Thorn EMI	16
Goldome	17	Total	16
Grampian Holdings	21	Trelleborg	16
Grampian Television	22	UAP	16
Hanson	21	Varity	17
Hidrola	16	[illegible] Brothers	[illegible]
Hispamer	20	Ziff-Davis	17

Chief price changes [illegible]

NEW YORK ($)				UAP	578	+	9
Rises				**Falls**			
Fst.Empire St	$85\frac{1}{2}$	+	$5\frac{7}{8}$	EBF	728	–	21
Keycorp	$34\frac{1}{4}$	+	1	Radiotech	534	–	28
USX Steel	$24\frac{3}{8}$	+	$\frac{5}{8}$	**TOKYO (Yen)**			
Falls				**Rises**			
Dell Comptr.	$24\frac{3}{8}$	–	$\frac{7}{8}$	Catena	4350	+	340
Digital Eq.	$66\frac{1}{2}$	–	$1\frac{1}{8}$	Japan Casting	[illegible]	+	65
Disney (Walt)	$116\frac{1}{2}$	–	$2\frac{1}{4}$	Osaki Electric	1440	+	110
PARIS (FFr)				**Falls**			
Rises				Nippon Housing	1030	–	70
Bouygues	[illegible]	+	15	Shiga Bank	[illegible]	–	70
Chargeurs	[illegible]4	+	29	Sailor Pen	1590	–	180
Locafrance	[illegible]1	+	11				

Frankfurt closed. New York prices as at 12.30pm.

LONDON (Pence)				Grean Prop	70	–	20
Rises				Johnson Matt'y	289	–	$13\frac{1}{2}$
Body Shop	265	+	11	Lep	120	–	7
British Gas	251	+	$6\frac{1}{2}$	[illegible]	235	–	9
ICI	1288	+	32	[illegible]	83	–	6
Micro Focus	1758	+	80	Metro Radio	155	–	[illegible]
Shoprite	259	+	19	Pilkington	$167\frac{1}{2}$	–	$6\frac{1}{2}$
Sthn Water	274	+	9	Reuters	[illegible]	–	21
Thorn EMI	711	+	15	Wagon Ind	380	–	18
Falls							
ABI Leis	78	–	4				
Black Arrow	27	–	5				

Nissan falls 78% amid slower sales

By Robert Thomson in Tokyo

NISSAN, the Japanese car maker, yesterday reported a 78.3 per cent fall in consolidated pre-tax profit to Y72.4bn ($523m) for the year to *end March*, [illegible] *the company was* hit by currency fluctuations, higher labour costs and a slight fall in sales volume.

The company said the plunge in profits was distorted by its method of currency calculations, which had inflated the 1989 profits, although its results highlighted the damage inflicted on many leading companies by Japan's financial instability last year.

Sales for the year [illegible] 1.8 per cent in volume, but [illegible] 5.7 per cent in value to Y5,964bn, while net profit fell 57.9 per cent to Y48.8bn. For the current year, the company is expecting sales to total about Y6,200bn and a net profit of Y57.9bn.

Mr Atsushi Muramatsu, Nissan's executive vice-president, *said that the fall in income* reflected "sluggish growth in economies around the world" and the "capital investment and R&D costs, which will contribute to future growth".

Higher interest rates last year prompted the company to dig deeply into its cash reserves, which fell by almost half to Y195.15bn, while the company was unable to raise funds on the volatile Japanese stock market. At the same time, the company's non-operating income fell sharply, as its profits on share sales plunged from Y23.4bn in 1989 to Y500m last year.

The company was also forced *to write-off Y15bn as part of* losses recorded by Ikeda Bussan, a 48 per cent-owned automotive *parts affiliate that was unsuccessfully* playing the Japanese financial markets last year.

Mr Muramatsu said that there was a [illegible] decline in the profitability of the company's subsidiaries, with slower sales in the US and particularly poor conditions in Australia.

He said US operations "will hopefully be much better this year", while the Japanese market, which has turned down, could improve after the release of new models later in the year.

The statements released by the company show that it still has a remarkable Y1,023bn in unrealised gains on its securities holdings. These holdings are divided into longer-term, strategic investments and current assets, on which the company estimates that it has Y716bn in unrealised gains.

Mr Muramatsu said the enduring weakness of the Japanese stock market will make a new issue difficult, and the company will raise funds for investment by continuing to reduce its cash reserves, although "we have our limits" on how far these reserves will be allowed to fall.

The company reported that sales of passenger vehicles fell 0.2 per cent to 1.97m units and commercial vehicle sales declined 1.5 per cent to 388,346 units. Domestic production actually rose 1.5 per cent to 2.38m units, while overseas production rose 5.8 per cent to 683,430 units.

Non-consolidated pre-tax profit declined only 10.6 per cent to *Y184.7bn, though that figure is* expected to fall to Y110bn for the current year.

Domestic side hoists profit at Preussag

By Andrew Fisher in Frankfurt

PREUSSAG, the German steel, trading, and energy group, reported a slight rise in profits for the first half of its financial year, with a strong contribution from the newly-enlarged domestic market.

Net profits rose by nearly 3 per cent to DM228m ($131m) in the period from DM217m in the first half of the previous year.

Turnover eased from DM12.2bn to DM11.7bn.

The company, which took over the Salzgitter steel group at the end of 1989, said domestic business had benefited from demand in *eastern* Germany.

However, foreign activities were slowed by the weakness in leading western economies.

Preussag said it was also affected by the varied and rapidly-changing influences of oil prices, non-ferrous metal prices and currency movements.

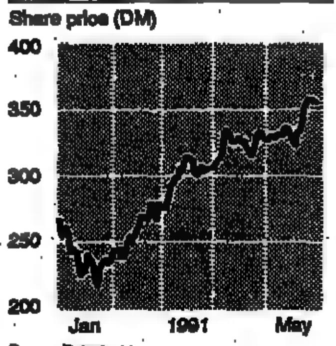
The company said it expected to report another good result for the full year to September 30.

In [illegible] nine-month business period to September 30 1990 – it moved [illegible] an end-September financial year after the acquisition of Salzgitter – Preussag earned net profits of DM350m, compared with DM315m for the *12 months of 1989*.

It paid an unchanged dividend of DM8 for the shortened 1990 business period, and analysts expect *a higher payment this* year.

Demand for steel increased in Germany in the first half of 1990-91, but competition from

Preussag



Source: Datastream

imports increased through weakness in other markets.

On the export side, falling demand and the weak dollar led to much lower prices. Metal output was hit by considerably lo[illegible] zinc and lead prices, as well as dollar weakness.

Preussag's energy subsidiaries initially benefited from higher oil prices, but profit growth then eased as prices came down. Coal [illegible] were [illegible], especially in the household market.

In the trading and transport division, steel trade was buoyed *by favourable domestic business* as foreign markets were depressed, while higher profits were achieved on metals as a *result of increased* turnover, despite lower prices.

Chemical and oil transport and storage also turned in favourable results.

Sir Denys calls tune on ICI shake up

Charles Leadbeater on the group's joint venture and disposal options

ICI, headed by Sir Denys, insists that its well-developed plans for change will not be affected by the need to ward off Hanson

IF there is one certainty in Hanson's stalking of Imperial Chemical Industries, it is that the *chemicals group is about to* undergo fundamental changes.

ICI insists that its well-developed plans for change will not be affected by the need to ward off Hanson, the acquisitive UK conglomerate. Yet the reality is that defending ICI from Hanson and restructuring [illegible] chemicals group to make it more profitable are going to become one and the [illegible] goal.

ICI is tight-lipped in public. But London analysts returned from a lunch with the company yesterday convinced that announcements of closures, divestments and joint ventures were imminent. The company's *shares rose 32p to close at 1288p*.

From discussions with ICI executives, former executives and merchant bankers who have dealt with the company recently, it is possible to piece together what the restructuring plan might entail.

It began life on September 26 last year, when Sir Denys set up two task forces to reassess the company's strategy.

The task force reports were discussed by the board in December, before detailed proposals were approved in January. These reports led ICI in February to set aside a £300m ($519m) restructuring provision.

The company has two pressing dilemmas. The first is whether it should take revolutionary action to spin off or demerge a large *chunk of the company or* whether evolutionary change through selling smaller bits of several divisions will suffice. If ICI [illegible] for revolutionary change, [illegible] has to choose what to spin-off: one of its jewels, such as *pharmaceuticals*, or the grubbier bulk chemical businesses.

In the mid-1980s, the senior executive team rejected spinning off the pharmaceuticals division. They also considered buying Beecham, the UK drugs group to give ICI Pharmaceuticals the scale it needed.

Something must be done with the division: some products have fallen out of the development pipeline and it is highly dependent upon the cardio-vascular market. Its main competitors there are the mighty Merck and *Bristol* Myers Squibb of the US.

Analysts were convinced that announcements of closures were imminent

An outright *sale seems* unlikely: few companies could afford the £6bn price tag. Floating pharmaceuticals as a separate company was rejected as ICI would have eventually ceded control. The main alternative is a joint venture with one of the world's top 20 drugs groups – but not one of the top five. Wellcome, Sandoz, Ciba Geigy and Fisons are all possible candidates for such a deal.

The main risk is that a pharmaceuticals demerger or joint venture would take the wind out of Hanson's sales, but it could leave ICI more dependent on cyclical businesses.

It was this risk which led ICI in the late 1980s to consider floating its bulk chemicals and polymers division, or C&P, as it is known. By detaching bulk chemicals, the value of the rest of the group – paints, pharmaceuticals, agrochemicals – might shine through.

The resurgence of bulk chemicals between 1986 and 1989 *seduced ICI into keeping C&P* largely intact. At the height of the boom, it was earning profits of £75m a month. But now bulk chemicals are barely breaking even and demand is still falling.

If such radical moves to re-engineer ICI financially and industrially are ruled out, as seems likely, then attention will turn to accelerating incremental changes.

These are the likely elements of ICI's programme:

- Bulk chemical businesses in which it does not have a technological edge will not get heavy investment. Joint ventures with other European groups and international petrochemicals groups are being explored. Top of the list for radical action are soda ash, salt, chloralkalai and limestone. The best candidate for disposal is polypropelene, which could go to another European group, such as DSM or Slovay.
- Tioxide, the pigment maker, is a distinct ICI company which should soon be fit to be sold.
- EVC, the joint venture between ICI and Enichem of Italy in pvc, was considered by some a candidate *for* early disposal. But it is a long way down the list. Enichem is in turmoil; the European Commission is still considering on what terms to extend EVC's production licence beyond this year; and the only mooted buyer – Occidental, the US oil group – is beset with its own difficulties.
- ICI will not try to get out of *bulk chemical areas where it has* a strong market position in growing economies, such as PTA production in the Far East for the local textile industry.
- The other main candidates for disposal are the loss-making advanced materials businesses – into which ICI has poured huge sums for research and development – films, where ICI over-expanded in the 1980s, and fertilisers from which it is withdrawing.
- The explosives division will probably be retained intact, although it will not [illegible] top of the list for investment.

There are three courses ICI which could take. The least likely *is to spin off* pharmaceuticals. More likely would be an attempt to demerge C&P.

The most likely option is a determined programme of divestments, sales and joint ventures. This would make ICI a very different company, based on a clutch of strong international businesses, primarily paints, agrochemicals, explosives, speciality chemicals and carefully-selected bulk chemical activities. The pharmaceuticals division may need a partner, but ICI executives want to retain control.

In normal times, such a programme might be sufficient to satisfy investors. But since Hanson started breathing down the chemical group's neck, normal times have been a luxury at ICI.

Brussels and ICI, Page 21

George Walker ousted

MR GEORGE Walker was ousted early yesterday morning as chief executive of Brent Walker, the *leisure and property group* negotiating a rescue plan with its banks, writes Maggie Urry.

The former light heavyweight *boxer was removed at a meeting* between the group[illegible] board and [illegible] banks which ended [illegible] 4.30am.

Lord Kindersley, Brent Walker's chairman, said Mr Walker was "very, very upset and not a little angry".

Representatives of the group's 47 banks had threatened to remove their support for the company if Mr Walker did not step down, Lord Kindersley said. Had the banks carried out their threat, the company would have had to cease trading. Mr Walker is still a non-executive director.

The next shareholders meeting will consider a resolution to remove him from the board.

Lex, Page [illegible]

SE Banken boosts Skandia link

By John Burton in Stockholm

SKANDINAVISKA Enskilda Banken, Sweden's largest commercial bank group, yesterday strengthened its position on the board of Skandia, the country's leading private insurer, in preparation for a possible merger between the two.

The Skandia annual general meeting agreed to accept three directors, considered friendly [illegible] *SE Banken, to sit on the 10-member board*, resulting in a majority of members probably favouring a merger.

The move is aimed at reducing opposition by the Skandia management and employee representatives to an alliance with the bank.

Mr Bjorn Wolrath, the Skandia president, told shareholders of *his doubts about a merger*, saying that it would not deliver the promised benefits and that it would hamper the insurer's international *activity by disrupting* its links with foreign partners.

SE Banken took an option last autumn to acquire 28 per cent of Skandia for SKr4.7bn ($770m) by mid-March 1992.

The two financial groups have been *negotiating since* then about what *form* their co-operation would take, either through a merger or through the creation of a holding company that would own both the bank and the insurer.

But several [illegible] developments [illegible] questions about whether SE Banken would be able to exercise its option even *if it were to win over the Skandia* management.

The opposition non-socialist parties are criticising the government's proposal to abolish the ownership barriers between banks and insurers, scheduled for July 1.

They argue that in the absence of tougher competition laws, such alliances would lead to market domination and a [illegible]tion of power in capital markets.

Those sentiments were echoed yesterday by Mr Lars-Erik Forsbergh, the head of the Swedish small shareholders' association. He noted if SE Banken and Skandia merged, they would control SKr450bn in funds. "We cannot rule out an abuse of power as a result," he added.

South West Water rises to £88.2m

By Roland Rudd in London

MR KEITH COURT, chairman of South West Water, yesterday said he was "unrepentant" in reporting increased profits, less than a [illegible] after the industry regulator urged the newly privatised water companies not to deliver returns [illegible] shareholders at the [illegible] customers.

South West Water reported a 6.5 per cent rise in pre-tax profits to [illegible] ($149.9m)in the year to March 31, on an increased turnover of £143.8m. The increase included £36.9m interest. Comparable figures were worked [illegible] on [illegible] *forma* basis, assuming the same capital structure had been in place from 1 April 1989. The company was floated with [illegible] *cash dowry* [illegible] £265.9m [illegible] help pay for an environmental programme.

Earnings per share rose from 61.9p to 65.8p and the company is recommending a final dividend of 13.3p for a total of 20p.

Mr Ian Byatt, director general of the Office of Water Services, last week said the 10 water companies "should not deliver high profits and big returns to shareholders at the expense of customers".

However, Mr Court said South West Water had struck the right balance [illegible] shareholders and customers. "*Our primary objective is to* ensure the survival of our core business. To do that, you have to make profits."

Mr Court added the 10-year £1.4bn capital expenditure programme, for the water and sewerage programme, remained on target. Investment [illegible] improve standards rose 53 per cent to £119.3m and is due to increase this year by a further 50 per cent to £175m.

The water companies are already allowed to [illegible] their prices above the rate of inflation annually over the next 10 years to handle their capital expenditure programmes.

But South West Water customers face further price increases to pay for another £400m of capital expenditure.

The government will also have to pay £35,000 in fines and costs arising from accidental pollution of the water supply [illegible] Camelford, Cornwall two-and-a-half years ago.

The company is suing the supplier involved because of its damaged reputation.

Thorn EMI posts fall of 18.6% to £258m

By Michael Skapinker in London

THORN EMI, the music, rental, lighting and technology group, *yesterday* announced an 18.6 per cent fall in profits despite a small rise in turnover last year.

Mr Colin Southgate, the chairman, said yesterday that the UK market had been badly affected by recession, rationalisation costs and management problems in the group's security business.

Mr Southgate, speaking at the publication of results for the year to the end of March, said Thorn EMI's management was doing a better job of rationalising its businesses *than any corporate raider* could do.

The UK-based group had strong music and rental divisions and there were increasing synergies between its various technology businesses, such as [illegible] and security, he said.

Mr Southgate has in the past spoken of spinning off parts of the group.

Although he has no immediate plans to do so, he said yesterday that he wanted the music and rentals divisions to be strong enough [illegible] exist as independent businesses.

"I would consider it an absolute personal failure if we demerged the businesses and they got gobbled up," he said.

He did not regard Thorn EMI as [illegible] candidate for "unbundling", he said. "We have been in the process of unbundling the business for the past five years. If the shareholders think it's the right thing to do, then we are the best people [illegible] it," he said.

Thorn EMI's pre-tax profits fell to £258.6m ([illegible]7.37m) last year.

Turnover was £3.66bn, up 2.5 per cent on the previous year. Fully-diluted earnings per share were down 18 per cent to 54.1p. Profits in the the UK were particularly hard hit, falling 37.6 per cent to £88.9m on turnover virtually unchanged at £1.77bn.

The final dividend is an unchanged 21.5p, bringing the total to 30.5p [illegible]

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Iberduero, Hidrola trade halted pending bid terms

By Tom Burns in Madrid

SHARE trading of Spain's two largest privately-owned electrical utilities was suspended on the Madrid market yesterday pending the announcement of a friendly takeover by Iberduero of Hidrola.

The companies account for more than 40 per cent of Spain's generating capacity. Their shares are currently valued at more than $5bn and the takeover would be the biggest ever on the Madrid bourse.

The move is seen as a clear signal by the groups that they did not want to owe the government – *which fixes the* value of the tax incentives in a merger – any "political favours".

Hidrola and Iberduero, which earlier this month announced the creation of a joint holding company as a *preliminary move to joining* forces, have stolen a march on an imminent reorganisation of the electrical utility sector which, according to the government's plans, would have revolved around the state-controlled Endesa power group, the biggest in Spain.

The sources said when the reorganisation takes place, under the terms of a national energy plan which is expected to go before parliament next month, the Hidrola Iberduero corporation wanted to sit at the industry ministry's negotiating table as Endesa's equal. The key element in the talks will be negotiations over which of the groups takes over various smaller utilities.

Iberduero, which last traded at Pta732, compared with Hidrola's share price of Pta575, is expected to make a bonus issue to lower the value of its shares before making a rights issue to take over Hidrola.

Hidrola has a long-term debt-to-equity ratio 50 per cent higher than Iberduero's.

KOP plunges into loss of FM94.8m

KANSALLIS-Osake-Pankki, one of Finland's [illegible] largest commercial banks, reported a [illegible] before provisions and [illegible] in the first four months *of this year* [illegible] *FM94.8m* ($23.4m), against [illegible] profit [illegible] FM224.5m in the previous [illegible] responding period, writes Enrique Tessieri in Helsinki.

Dr Jaakko Lassila, president, blamed the bank's poor interim result on Finland's severe recession and on a loss of FM250m from foreign exchange trading operations during the Gulf war.

Credit write-offs surged by 34 per cent from FM174.1m to FM233.6m, representing one third of the amount budgeted for the year. KOP said that credit losses would increase this year from the FM551.4m posted in 1990.

Mr Matti Sipilä, managing director of the Finnish Bankers' Association, also predicts bigger credit losses at all Finnish banks. "Even if our credit losses are half the size of other Scandinavian banks, I fear that credit write-offs will rise sharply this year," he said.

Analysts estimate that total bank credit write-offs will increase from last year's FM2.32bn to between FM3bn and FM4bn in 1991.

Consolidated profit from financial operations rose by 22 per cent to FM1.21bn from FM993.5m, *but other forms of* income fell by 56 per cent to FM218.3m. The group's operating profit fell by 52 per cent to FM224.2m.

Trelleborg dips 60% to SKr363m

By John Burton in Stockholm

TRELLEBORG, the Swedish mining and industrial group, yesterday reported a [illegible] per cent fall in profits, after financial items, to SKr363m ($59m) for the first four months of 1991, while operating profits dropped by 74 per [illegible] to SKr218m.

It forecast that profits will be sharply lower for the year. Trelleborg, which was cited as one of Sweden's corporate success stories during the 1980s *under Mr Rune Andersson, had* a profit of SKr2.3bn last year.

Profits for 1991 are expected to be between SKr500m and SKr1bn.

Mr Andersson and other Trelleborg [illegible] have considerably reduced their shareholdings in the company in recent months.

Sales fell by 19 per cent to SKr7.6bn. This reflects the separate listing of its subsidiary Svedala, an ore treatment and mineral processing equipment maker. Turnover was [illegible] *reduced by the sale of the* Gavle Ahlsell unit.

Trelleborg predicted that demand will improve in the US, *its biggest market, later in* the year, but will stay weak in Sweden. It noted that metal prices have fallen in recent weeks and the trend is likely to continue throughout the year.

The company has embarked on [illegible] rationalisation programme with plans to cut its workforce by 1,650 people this year and dispose of operations with low-yielding returns. It *will make fewer acquisitions* after its recent expansion.

Cerus debt 'will ease' with stake sale

COMPAGNIES Européennes Reunies (Cerus), the French holding company, said its debt will be virtually eliminated through the sale of its 13.7 per [illegible] *stake in Italy's* Compagnia Latina de Assicurazioni to Fondiaria, which was confirmed yesterday, agencies report.

Cerus said in [illegible] statement *that it is selling its stake for* L144bn ($114m) the same as its cost price.

Fondiaria [illegible] of Italy's largest insurers, and analysts believe the purchase will consolidate its position in the non-life insurance sector. Last week, Fondiaria reported net *1990 profit of L115bn, up from* L113bn [illegible] year earlier.

La Fondiaria has agreed to buy [illegible] 74 [illegible] cent shareholding in Latina currently [illegible] the De Benedetti group for L504bn in cash.

Separately, De Benedetti will repurchase from Latina its financial services subsidiary Finanza & Futuro (F&F) for L100bn. Cofide, the Italian financier's key financial holding company, and Cerus SA, his French holding, will sell a total [illegible] ordinary shares in Latina for L18,000 a share.

The purchase price represents [illegible] premium of L5,505 or 44 per cent over Latina's closing price of L12,495 on the Milan [illegible] Exchange [illegible].

Franco-Portuguese group wins control of insurer

By Patrick Blum in Lisbon

A FRANCO-PORTUGUESE group led by Union [illegible] Assurances de Paris (UAP) has won majority control of Alianca Seguradora, a Portuguese insurance company which was fully privatised this week through the sale of the state's remaining 51 per cent stake.

The UAP group, which includes Investimentos e Participacoes Empresariais (IPE), a Portuguese state-owned holding company, and Mague, a Portuguese building company, raised its holding in Alianca from about 30 per cent to more than 62 per cent.

The result was widely expected as the flotation attracted *little interest from other inves*tors, thereby leaving the group a clear field in contrast to the fierce competition witnessed when the company was 49 per cent part-privatised in October 1989. On that occasion demand for shares exceeded the offer by more than six times.

The sale on the Oporto stock exchange of 1.5m shares raised Es6.79bn ($45m), an amount lower than the Es7.1bn raised from the first flotation.

The average price paid per share was Es4,275 for the tranche reserved for existing shareholders and Es4,500 for other investors, considerably higher than the recent market price of around Es4,000.

● The Portuguese government has given [illegible] green light for [illegible] television networks. Companies or non-profit mak[illegible] *organisations will only* need authorisation from the national Communications' Institute for the [illegible] operating licences.

AGF details price of offer

By George Graham in Paris

ASSURANCES Générales de France (AGF) said yesterday it planned to offer 2.78m new shares with attached warrants for sale at FFr535 each from June 3.

The initial offering will bring in FFr1.49bn. The exercise of the warrants – every two warrants give the right to buy one share at FFr535 – could raise a further FFr744m over the next two years.

● Total, the French petroleum group, has signed a letter of intent with Iran's national oil company NIOC to co-operate [illegible] a range [illegible] Reuter reports from Paris.

Total said the [illegible] covers developing offshore oilfields, commercialising significant amounts of Iranian crude and arranging pre-financing through a consortium of banks.

Nedlloyd questions Hagen's posting to supervisory board

By Ronald van de Krol in Rotterdam

NEDLLOYD, the Dutch transport and energy group, [illegible] yesterday that [illegible] had grave doubts about appointing Mr Torstein [illegible], [illegible] leading dissident shareholder and Norwegian shipping executive, to the company's supervisory board.

Mr Rein Wijkstra, chairman of the supervisory board, said he did not believe there would be enough *mutual understand*ing [illegible] confidence [illegible] the board and Mr Hagen to produce [illegible] fruitful partnership.

However, he did not entirely exclude the possibility that Mr Hagen, [illegible] 23 per cent of the share [illegible] and claims support from a majority of shareholders, might be considered as a candidate [illegible] he enjoyed wide support from shareholders and if he could be expected to represent all stakeholders in the company.

The question of Mr Hagen's suitability to join the supervisory board dominated the company's long and complex shareholders' meeting yesterday, where Mr Hagen and other shareholders planned to try to vote down the 1990 accounts in order to pressure Nedlloyd to admit him to the board.

The vote, which had yet to be taken *after* over four hours of discussion, had been described by Mr Hagen and his *supporters as a vote of confi*dence in the management of Nedlloyd, which plunged into a net loss of Fl 148.2m ($77.2m) from a 1989 profit of Fl 252.9m.

IRI sees group profits fall 31%

ISTITUTO per [illegible] Ricostruzione Industriale (IRI), the Italian state-owned holding company, yesterday announced its group profit fell 31 per cent to L1,100bn ($871.1bn) in 1990 compared with L1,606bn in the previous 12 months, AP-DJ reports from Milan.

The company said the results were not consolidated, but included a heavy loss at the holding company due to heavy financial charges on its debts. The size of the group debt was not disclosed.

The parent company incurred a loss of L778bn, against a profit of L1765bn in 1989. IRI said the holding company suffered from the lack of government funding.

IRI has more than 500 companies in industries including banking, satellites,food and shipbuilding.

INTERNATIONAL COMPANIES AND FINANCE

FDIC expected to sell insolvent New York bank

By Martin Dickson in New York

THE Federal Deposit Insurance Corporation (FDIC), the US government agency which oversees the disposal of insolvent banks, is expected to announce imminently the sale of Goldome, based in upstate New York, in its largest seizure of a savings bank.

Wall Street believes the front-runner to buy the ailing bank is a consortium made up of two other large upstate New York banks – KeyCorp, based in Albany, and First Empire State. Both Goldome and First Empire are based in Buffalo.

Goldome, which had negative tangible net worth of $587m at the end of March and $11bn of assets, is the latest victim of the crisis that has been sweeping through the US banking industry, particularly in the north-east, because of mounting non-performing loans.

Goldome, which [redacted] allowed [redacted]be operating while the FDIC tries to sell it, is making modest profits. The regulatory agency apparently decided to dispose of it because of its poor capital base. The bail-out is expected to cost the fund between $500m and $1bn.

KeyCorp and First Empire declined to comment, but they are understood to have made a joint bid for the bank and plan to divide its upstate branches between them.

They carried out a similar operation last year when they bought branches in western New York of another defunct savings bank.

Before the sale, Goldome would have to be seized formally by the FDIC. The largest previous seizure of a savings bank was that of the New York Bank for Savings, with $2.8bn of assets, in 1982.

In a separate development, the FDIC has increased its estimate of the number of banks likely to fail over the next two years because of the continuing downturn in the economy.

The agency estimated in January that some 340 banks would go under this year and next, assuming recession ended in the middle of 1991, and 440 would fail if recession lasted into 1992. For some months it had predicted that the tally would be towards the lower end of this range, but it acknowledged this week that it was now moving up the scale.

Varity returns to red as sales dive

By Bernard Simon

VARITY, the automotive, industrial and farm equipment maker which almost collapsed in the early 1980s, has slipped back into the red after more than three years of profits.

The Toronto-based company, formerly known as Massey-Ferguson, suffered a loss of US$29.7m, or 14 cents a share, in the three months to April 30, compared with earnings of $20.6m, or 7 cents, a year ago.

Sales tumbled by 19 per cent to $668.7m as a result of sharply lower sales of motor vehicle components and farm machinery.

Automotive parts became a significant slice of Varity's business 18 months ago when it acquired Kelsey-Hayes, a Michigan-based maker of aluminium wheels and anti-lock brakes.

The company said the drop in sales and operating income was, "if anything, even more arduous than we first expected, with severe economic weakness on an international scale and intense competitive pressure on margins". It said the expected rebound following [redacted] end of the Gulf war had not [redacted].

Despite these setbacks, the company said it hoped to be profitable for the full fiscal year. It is trimming its workforce by about 1,000 people, or 5 per cent, and cutting production to cope with weak demand.

Varity plans to move its head office from Toronto to Buffalo, New York, and to incorporate in Delaware.

Ziff-Davis to publish European titles

By Raymond Snoddy

ZIFF-DAVIS, the large US publisher of computer magazines, is planning an expansion in Europe.

The company, whose publications in the US include PC Week and Computer Shopper, announced yesterday it planned to launch publications in the UK, France and Germany later this year aimed at the direct buyers of personal computer products.

The company's goal is to create a worldwide network of such publications.

The direct purchase of computer equipment, as opposed to purchases through dealers or agents, is a growing business in the US, and Ziff-Davis believes the same trend is building in Europe.

According to market data compiled by Inteco, 41 per cent of all PC software, 27 per cent of peripherals and 11.7 per cent of PC systems purchased by companies and end-users in Europe last year were bought direct from the suppliers. A majority of the purchases were for business use.

Mr Scott Briggs, executive vice-president of Ziff-Davis, said that direct sales were becoming the largest distribution channel for PC products in Europe. He said direct purchases were cutting across national boundaries with increasing frequency.

The Ziff-Davis expansion in Europe follows a spate of acquisitions by the company. Over the past nine months, it spent over $120m in the computer publishing field. Most recently it acquired Cobb, the largest US publisher of computer-related newsletters.

US motor companies in joint R&D effort

By Kevin Done, [redacted] Industry Correspondent

[redacted] Chrysler, the [redacted] three US car makers, are to collaborate in the research and development of an advanced area of automotive electronics.

The three companies have formed a partnership to develop high-speed "multiplexing" systems, which are expected to play a key role in car electronics in the future.

It is hoped that multiplexing systems will eventually replace the conventional electrical wiring harnesses used in cars in current production.

Such multiplexing systems offer a highly simplified method of communicating electronic data to control a range of vehicle functions, such as braking, engine management, traction control, electronic suspension and transmissions.

The advantages of multiplexing systems include reduced vehicle weight for better fuel efficiency, simpler manufacturing and assembly, reduced operating costs and easier servicing.

In recent months there have been growing signs that GM, Ford and Chrysler are more willing to join together in order to improve their competitiveness against the Japanese auto industry.

In the past, such co-operation between the US vehicle makers has been rare. Anti-trust legislation in part has hindered such efforts.

Earlier this year, the big three US vehicle makers and the US government agreed to spend more than $1bn over the next 12 years on the research and development of advanced battery technologies for use in electric vehicles.

The only other examples of joint research efforts involving GM, Ford and Chrysler are the Automotive Polymer-based Composites programme and the so-called Auto/Oil Air Quality Improvement research programme, aimed at developing technology to meet the US government's air quality targets.

The latest venture is to be called the High Speed Serial Data Communication Research and Development Partnership.

TWA agrees terms with bondholders on debt buy-back plan

By Patrick Harverson in New York

TRANS WORLD Airlines, the heavily indebted US airline owned by Mr Carl Icahn, yesterday earned further breathing space in its attempt to stave off bankruptcy when it agreed to increase its purchase offer for part of the company's debt in return for a stay of up to 60 days on certain pending lawsuits. The legal actions had been filed by holders of TWA's equipment trust certificates.

The airline, which is attempting to buy back $1.37bn of its debt, has increased its offer for the certificates from 73 per cent of their face value to 77.5 per cent.

It increased its offer on condition that the bondholders agree to sell at least $80m worth of certificates to TWA by 9pm, New York time, today. At the moment there are approximately $120m of certificates outstanding.

For their part, the certificate holders agreed to put a stay on lawsuits relating to TWA's failure to pay principal and interest on the debt.

TWA's debt buy-back plan – aimed at avoiding Chapter 11 bankruptcy protection from creditors – is dependent on bondholders agreeing to sell their debt back to the airline at a large discount to face value. Although the bondholders

Carl Icahn: wins stay on lawsuits

have been reluctant to accept TWA's offer, the airline has warned that creditors would probably receive less for their debt if TWA is forced into seeking the protection of Chapter 11 bankruptcy.

Yesterday's agreement, [redacted] Connecticut National Bank, trustee for the certificate holders, follows Tuesday's decision by a federal appeals court judge to postpone the possible repossession of 10 jets and 62 engines by holders of the certificates, which are secured by the TWA jets and engines.

L A Gear to sell 30% [redacted] in $100m deal

By Karen Zagor [redacted] York

L.A. GEAR, the beleaguered US footwear and clothing maker, has agreed to sell a 30 per cent stake to Trefoil Capital Investors, a fund led by Mr Roy Disney, nephew of the late Walt Disney and vice-chairman of the entertainment company. The deal is worth $100m cash.

Trefoil will get $100m in preferred stock convertible into 8.4m common shares at $11.94 a share.

L.A. Gear, whose sales have been hurt by its dependence on the fickle fashion market, is struggling to turn a profit in the retailing slump.

The company, which technically defaulted on its $380m bank credit facility when it turned in a fourth-quarter loss, is operating on a short rein. Under its restructured credit facility with its banks, L.A. is prohibited from posting a loss in the quarter ended May 31.

The preferred stock sale will give Trefoil a significant role in the company. L.A. Gear will need the approval of at least one Trefoil-appointed director before it sells assets, makes acquisitions, issues securities or declares common stock dividends.

L.A. Gear plans to use the cash for working capital and to reduce its $135m of short-term debt.

INTERNATIONAL COMPANIES [illegible] FINANCE

An Israeli dinosaur shows signs of life

Koor Industries results have brought fresh hope to the Histadrut writes Hugh Carnegy

L[illegible] week, an Israeli [illegible] signs of life. Or, rather, it behaved in a way that suggests it [illegible] avoid extin[illegible] by evolving into something [illegible] different.

This is the huge industrial *arm of Israel's trade union fed*eration, the Histadrut. The hope of life, after years of moribund performance, lay in the 1990 results of Koor Industries, the giant flagship of the Histadrut's unusual function as an owner of production as well as an organiser of labour.

A real revival has yet to occur. Koor, which produces around 10 per cent of Israeli industrial output, posted a loss last year of Shk99m ($40.9m), has negative equity of Shk41m, and has to persuade its creditors by the end of September to waive $400m of its billion-dollar plus debts if it is to avoid the collapse it has faced since Bankers Trust of New York first threatened to pull the plug more than two years ago.

But last year's losses were only a fraction of those in the previous three years, and Koor produced an operating profit of Shk150m – significant by its recent standards. Mr Benjamin Gaon, Koor's chief executive, said he is now confident the group can stand on its feet – should the debt restructuring deal go through.

If it succeeds in doing so, the Histadrut may well claim that those who argued that a trade union [illegible] could, nor should, run [illegible] in the modern Israeli economy were wrong. However, the truth is that the Histadrut has not reached this point without confronting some fundamental changes in the way it operates as an industrial owner.

Professor Eitan Sheshinsky is an economist brought in early last year to head Hevrat Ha'ovdim (the Workers' Society), the arm of the Histadrut which administers its industrial and economic holdings. His position puts him in charge of an organisation which accounts for almost 15 per cent of Israel's GNP.

He admits frankly that many of the Hevrat Ha'ovdim's problems stemmed from its concentration over the years on goals other than profitability – such as providing employment, egalitarianism and national industrial development – and bad management.

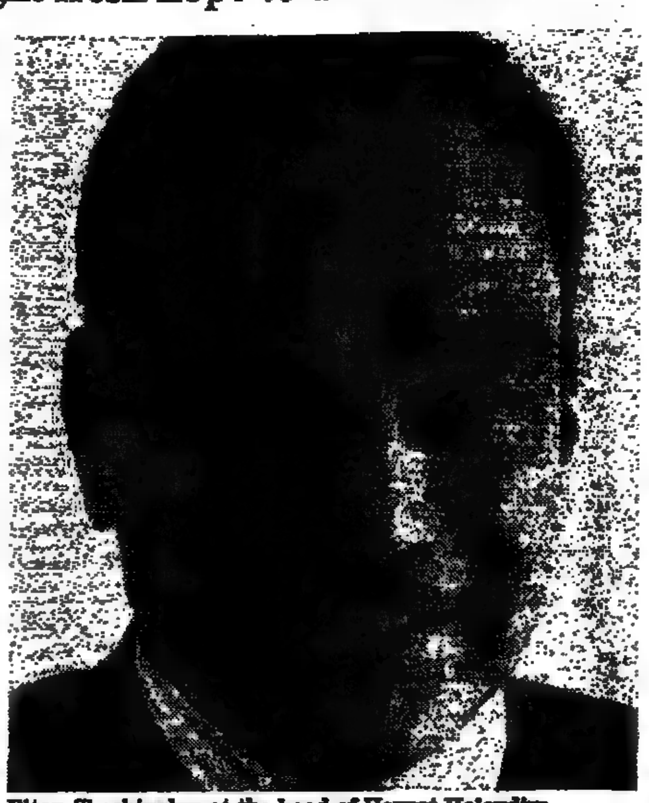
He does not go so far as to say the trade unions should have no production role in the Israeli economy, but he is "quite clear" what his objective is for Hevrat Ha'ovdim companies in future.

"The short term objective must be economic profitability. All the other roles will be subsidiary and secondary."

This entails, he says, Hevrat Ha'ovdim companies accepting private capital investment, including public stock flotations, accepting the [illegible] of uneconomic factories and pay[illegible] secure good, market-oriented manage[illegible].

The leadership of the Histadrut, still dominated by traditional Labour party figures bred on socialist Zionism, does not evince much enthusiasm for all this. But, says Prof Sheshinsky, they realise, however reluctantly, that Hevrat Ha'ovdim had "come to the bottom of the barrel" and had no alternative.

Much of the new prescription has indeed been forced, willy-nilly, on Koor. Thousands of jobs have gone, plants have closed and Mr Gaon has hammered away at the primary need to make profits. If the debt deal goes through, Hevrat Ha'ovdim will end up owning just 26 per cent of the conglomerate. Professor Sheshinsky is also pressing the Histadrut's ruling council to change Hevrat's constitution to allow Koor and its other holdings to raise money through the stock exchange, something amounting to an anathema in the past.


Eitan Sheshinsky: at the head of Hevrat Ha'ovdim

Hevrat Ha'ovdim's holdings extend well beyond Koor. It controls Bank Hapoalim, the country's biggest financial group, Hassneh, a big insurance group, and Solel Boneh, the biggest construction group which went through a debt crisis in the mid-1980s. The country's transport co-operatives, Egged and Dan and the ailing Kibbutzim agriculture and industrial co-operatives are affiliated to Hevrat.

Prof Sheshinsky envisages the future role of Hevrat Ha'ovdim as "a genuine holding company" distanced from the Histadrut in management terms and giving much more autonomy to its individual organisations.

"The goal should be to manage a portfolio of companies, leaving all day-to-day management to the individual corporations."

Changes have already been made to the relationship between the Histadrut and Hevrat Ha'ovdim. The secretary-general of the Histadrut is no longer chairman of Hevrat, as he was until Prof Sheshinsky was brought in. Nor has he a seat on the board, which now includes only six trade union representatives.

If Koor does survive, the Histadrut's role as large industrial owner will probably survive with it. But, as the thousands of Koor workers laid off since 1988 and the creditors who will sit on the board will testify, it will be in a very different form from the past.

Sales soar 18.4% at Mitsubishi Materials

By Neil Weinberg in Tokyo

MITSUBISHI Materials, Japan's largest metal and ceramic products maker, posted a *double-digit* rise in sales, but only a modest gain in profits in the year ended March.

The company's takeover of Mitsubishi Mining and Cement last December gave the biggest boost to sales, which rose 18.4 per cent to Y769bn ($5.51bn). Pre-tax profits edged up 5.3 per cent to Y27.4bn.

Mitsubishi Materials said an aggressive sales pitch, improved efficiency and labour cost cuts helped it overcome sagging prices for some materials and higher interest costs.

Total metals sales rose 5.3 per cent to Y678.7bn.

Shareholders' equity also climbed 15.8 per cent to Y253.8 per share. The firm added Y1 a share to its dividend to mark the merger, bringing the total for the year to Y7.

Mitsubishi Metals admitted difficulty in making forecasts for the current year, given its planned merger with Tohoku Development and unstable materials markets.

Tohoku's operations, along with inclusion [illegible] cement-related activities for [illegible] full term, are expected to help lift sales 19.6 per [illegible] Y910bn and pre-tax profits 27.5 per cent to Y35bn.

Mitsubishi Metals [illegible] expects increased income from fabricated metal products and aluminium cans to help offset weak materials prices in some sectors and higher depreciation costs.

● The current profits of leading Japanese corporations fell an average 1.3 per cent in the year to end-March, 1991, against an average 9.7 per cent year-on-year rise a year earlier, according to the Wako Research Institute.

The report covers 643 companies on the Tokyo Stock Exchange.

Financial companies were not included.

BNZ set to hold dividend despite NZ$71m loss

By Terry Hall in Wellington

BANK of [illegible] yesterday announced a NZ$71m (US$41.7m) loss for the year to March 31, 1991. The deficit was in line with the loss estimated last December when the bank was reorganised after revealing a NZ$149m bad debt portfolio in Australia.

Following this disclosure, BNZ announced a capital reconstruction, including raising NZ$250m of new share capital and setting up an associate company to handle poorly performing loans.

Under the agreement with the New Zealand government, which has a 61 per cent shareholding, to inject NZ$320m in new capital, the bank agreed to pay tax (this year NZ$42.2m), forego tax losses and repay an amount equal to the new capital at 15 per cent.

The bank made an extraordinary loss of NZ$202.9m related to balance sheet restructuring. The result represented the first full year of operation of the new core business of consumer, business, corporate and investment banking, treasury and operations businesses. Mr Syd Pasley, chairman, said the bank was trading profitably.

Operating expenses were down NZ$70m to NZ$606m. Mr Pasley said the capital adequacy ratio was 5.29 per cent, while the total capital adequacy ratio stood at 8.79 per cent, against the reserve bank's requirements [illegible] 4 and 7.25 per cent respectively.

Mr Lindsay Pyne, the chief executive, said the bank expected to "be back in the black" this financial year, and earn NZ$100m. Total assets rose by NZ$1.4bn to NZ$19.6bn, and deposits were up NZ$1bn to NZ$17.2bn.

Directors are recommending an unchanged dividend of 2 per cent. The leading shareholders, the government and merchant bank Fay, Richwhite will take shares in lieu of dividend.

● The Securities Commission has ordered an inquiry into the affairs of a public company, London Pacific, following allegations of asset stripping by Asian investors. The claims were made in a court case.

London Pacific was placed in receivership last October by NZ Forest Products, which is now owned by Carter Holt Harvey, after failing to pay NZ$85m. Singapore businessman Mr Stephen Koong Yuew Hong bought 56 per cent of London Pacific from Equiticorp in 1988.

Wearne slides to S$23.5m

WEARNE Brothers, the computer manufacturing, trading, and agency group, reports lower first-half profits, writes Joyce Quek in Singapore.

Group turnover for the six months ended March, 1991 rose to S$474.6m (US$273.1m) from S$404.8m, thanks to continuing sales of computers and computer-related products despite the general world slowdown in the computer industry.

But, despite a 40 per cent rise in investment and other income to S$6.3m, operating pre-tax profits fell steeply, tumbling 21 per cent to S$23.5m.

[illegible] African bank expects increased earnings

By Philip Gawith

AMALGAMATED Banks of South Africa (Absa), the country's largest bank, forecasts an increase in profits for the current year, its first year in its newly merged form.

Absa was formed in March when four financial institutions – UBS, Allied, Volkskas and Sage Financial Services (SFS) – agreed a merger, following a fiercely contested takeover battle.

Group attributable profits for the year ended March, 1991 were R321.3m, ($114.7m) against R196.9m in 1989-90. The figures are not comparable, however, since [illegible] take account of contributions from Allied, Volkskas and SFS [illegible] the 1989-90 profit is for UBS alone.

During the [illegible] business conditions deteriorated sharply, a trend emphasised by the group's R479.9m of bad debt provisions.

Absa's weighted earnings per share totalled 93.4 cents. It is paying a dividend of 36 cents a share.

Mr Herc Hefer, chairman, said the projected rationalisation of the merger would probably be greater than expected.

"Absa is positioned to build on its strong base through rationalisation of support structures and improvements in operational efficiencies. Cost savings are likely to be significant," he said.

Absa is South Africa's biggest financial institution with assets totalling some R50bn.

Its merger plan was formally resolved in March this year.

Under the deal, [illegible] National Bank – the losing bidder for Allied Building Society – was reimbursed a maximum of R16.75m.

TNT denies prior release of poor financial figures

By Kevin Brown in Sydney

TNT, the Australian-based international transport group, yesterday rejected a suggestion by the Australian Stock Exchange (ASX) that information about its worsening financial position could have been released to investors in advance of its recent third-quarter earnings report.

TNT shares have been under pressure since the beginning of the year because of concerns about the group's liquidity and profitability.

The group made a net loss of A$89m (US$67.40m) after abnormal items for the nine months to March.

The shares closed at A$1.08 yesterday, down 1 cent on the day but above their all-time low of 75 cents in January.

The shares stood at A$1.52 two days before the release of the nine-month report on May 17.

In an official query, the ASX noted that the weakness of the share price could have led TNT to expect that 59m options [illegible] at A$1.60 would not be [illegible] up, denying the group a significant [illegible] injection.

[illegible] exchange said the sequence [illegible] events led it "to question whether the market [illegible] informed [illegible] possible time of the company's financial [illegible] or whether ... there could have been earlier disclosure of at least the more material items which contributed to the reduction in profit".

Mr Rupert Nichols, TNT company secretary, said the reduced profitability of its operations in Australia, South America and Europe had been clearly indicated in its interim report.

Mr Nichols said TNT was one of the few Australian companies which produces quarterly reports.

The nine-month report "contained a great deal of information reflecting the directors' determination to ensure [illegible] market was fully informed," he said.

TNT has repeatedly denied that it has liquidity [illegible].

It [illegible] it will return to profitability next year, providing [illegible] significant economic deterioration in its main markets.

However, the group has foreshadowed a reconstruction of its loss-making European air express network, which has failed to generate sufficient freight to fill the aircraft fleet.

TNT says the network has "attracted interest and approaches from other parties".

Cost-cutting lifts Kawasaki

By Neil Weinberg

KAWASAKI Heavy Industries, *Japan's oldest shipbuilder and* one of its leading heavy equipment and engineering firms, enjoyed strong gains in sales and pre-tax profits for the year to end-March, with most of its divisions posting advances.

Severe cost-cutting helped Kawasaki boost pre-tax profits 18.9 per cent to Y20.4bn ($148m), while each division managed to post a profit. Sales staged a 9.6 per cent gain to Y891.6bn.

Soaring revenues for Kawa*saki's shipbuilding division*, which were up 86.7 per cent to Y36.6bn, led the sales rise. The company's other main division, industrial machinery and steel, posted a 30 per cent sales gain to Y37.1bn. However, sales of rolling stock were off 11.1 per cent.

Kawasaki expects sales for the current year to rise 8 per cent to Y960bn and pre-tax [illegible] make a similar [illegible] Y22bn.

FT/AIBD INTERNATIONAL [illegible] SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on May 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	102⅛	-⅛	7.68
ALBERTA PROVINCE 9 3/8 95	600	[illegible]	104⅛	+⅛	8.20
AUSTRIA 8 1/2 00	400	[illegible]	99⅛		8.63
BANK OF TOKYO 8 3/8 96	100	99⅛	100	+⅛	8.49
BELGIUM 9 1/8 92	400	101⅞	102⅛	-⅛	7.70
BFCE 7 3/4 97	150	98⅛	99⅛	+⅛	8.05
BNP 8 5/8 94	300	102⅛	102⅝		7.83
BP CAPITAL 9 5/8 93	150	102⅞	103⅜		7.63
CANADA 9 96	1000	103⅞	104⅛		7.97
CARGO 9 1/4 96	650	99⅞	99⅞	-⅛	9.39
CCCE 9 1/4 95	300	104⅛	104⅝	+⅛	7.88
COUNCIL EUROPE 8 96	100	99	99½		8.23
CREDIT FONCIER 9 1/2 99	300	104⅞	105⅛	+⅛	8.60
DENMARK 0 98	250	55⅛	55⅝	-⅛	8.64
DENMARK 8 1/4 94	150	101⅜	101⅝		7.73
ECSC 8 1/4 96	193	100⅛	100⅜		8.11
EEC 7 1/4 93	250	100⅛	100⅜		7.14
EIB 7 3/4 96	250	98⅛	98⅝		8.11
EIB 9 1/4 97	1000	103⅞	104		8.45
ELEC DE FRANCE 9 98	200	102⅞	103⅛		8.44
EUROFIMA 9 1/4 96	100	103	103⅜	+⅛	8.45
EXPORT DEV CORP 9 1/2 98	150	105	105⅜	+⅛	8.53
FINLAND 7 7/8 97	200	96½	97⅛	-⅛	8.67
FINNISH EXPORT 9 3/8 95	200	104⅛	104⅝	+⅛	8.20
FORD MOTOR CREDIT 9 1/2 93	300	103	103⅜	-⅛	8.04
GEN ELEC CAPITAL 9 3/8 96	300	103⅞	104⅛	-⅛	8.40
GMAC 9 1/8 96	200	101⅞	102⅛	+⅛	8.68
HALIFAX 9 1/2 93	200	103⅛	103⅝	-⅛	7.66
IBM WORLD TRADE 7 5/8 93	150	99⅞	100⅛	+⅛	7.71
IND BK JAPAN FIN 7 7/8 97	[illegible]	97⅛	97⅝	+⅛	8.51
INTER AMER DEV 7 5/8 96	[illegible]	97⅛	97⅝		8.21
ITALY 8 1/2 94	1500	102⅛	102⅝		7.74
JAPAN DEV BK 8 94	150	101	101½		7.61
KANSAI ELEC PWR 10 96	350	105⅛	105⅝		8.61
LTCB 8 5/8 93	150	101⅞	102⅛		7.58
NEW ZEALAND 8 93	100	100⅛	100⅜	-⅛	7.92
NIPPON CRED BK 9 3/4 93	150	103⅞	104⅛		7.85
NIPPON TEL & TEL 9 3/8 95	200	104⅛	104⅝	+⅛	7.96
NORDIC INV BANK 9 93	200	103⅛	103⅝		7.32
ONTARIO HYDRO 11 3/8 94	200	108⅞	109⅛	-⅛	8.18
OSTER KONTROLLBANK 8 1/8 93	200	101⅛	101⅝		7.18
PETRO-CANADA 7 1/4 96	200	96	96½	+⅛	8.26
PRUDENTIAL RLTY SECS 0 97	365.216	51⅛	51⅝	+⅛	9.20
QUEBEC HYDRO 9 3/4 98	150	104	104⅝	+⅛	8.96
QUEBEC PROV 9 98	200	100⅞	100⅞	-⅛	8.92
SAINSBURY 9 1/8 96	150	102⅛	102⅝		8.59
SAS 10 99	200	100⅛	101⅛		9.96
SBAB 9 1/2 95	500	104⅛	105	+⅛	8.14
STATE BK STH AUST 9 1/4 93	200	102⅛	103⅛	-⅛	7.81
SUMITOMO BK CAP MKT 9 3/8 93	150	103⅛	103⅝		7.90
SWEDEN 8 1/8 94	150	100⅞	101⅛	-⅛	7.83
SWEDISH EXPORT 9 5/8 93	100	103⅝	104	-⅛	7.37
TOKYO METROPOLIS 8 1/4 96	200	99⅞	100⅛	-⅛	8.26
WORLD BANK 8 3/8 99	1500	100⅛	100⅜	+⅛	8.53
WORLD BANK 8 3/4 97	1500	102⅞	103⅛		8.27
XEROX CORPN 8 3/8 96	100	96⅛	97⅛		9.28

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
DEUTSCHE BK FIN 5 5/8 96	750	89⅛	89⅝	+⅛	8.28
DEUTSCHE FINANCE 7 1/2 95	1000	97⅛	97⅝	+⅛	8.18
EEC 5 3/8 93	300	95	95	+1⅛	8.84
EIB 5 3/4 98	400	86⅛	86⅝	+⅛	8.42
EIB 6 7/8 95	300	94	94	+⅛	8.53
EUROFIMA 6 1/4 98	400	87	87		8.77
FERRO DEL STAT 5 3/8 93	500	95	95		8.77
IND BK JAPAN FIN 5 5/8 96	200	87⅞	87⅞	+⅛	8.80
IND DEV BK INDIA 6 3/8 99	200	88	88	-⅛	10.57
INTER AMER DEV 7 1/4 99	300	93⅛	93⅛	+⅛	8.43
LUFTHANSA INT FIN 5 7/8 98	300	86⅛	86⅝	+⅛	8.52
MET EST & PROP INTL 7 99	150	85⅛	85⅝	+⅛	9.64
NAT BK HUNGARY 8 96	200	89⅞	90		10.55
QUEBEC HYDRO 6 3/4 99	300	89	89		8.74
SWEDEN 6 1/8 98	300	88⅛	88⅝	+⅛	8.44
VENEZUELA 8 1/4 93	100	96⅛	96⅝		9.76
WORLD BANK 0 15	2000	16⅛	16⅝	-⅛	7.68
WORLD BANK 5 3/4 96	300	87⅛	87⅝	-1⅛	9.07
WORLD BANK 7 1/8 95	500	94⅛	95	-1⅛	8.86

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	94⅛			6.50
AUSTRIA 4 5/8 98	100	91⅞	92⅛	+⅛	6.36
CHUJITSUYA 7 3/4 95	90	102⅛	103		7.11
COUNCIL EUROPE 4 3/4 98	250	90	90½		6.64
EEC 5 1/2 00	100	91⅛	92⅛		6.73
EIB 5 3/4 93	100	97½	98⅛		6.89
ELEC DE FRANCE 7 1/4 06	100	104⅛	105⅛		6.75
FINLAND 5 3/8 95	150	95⅛	96		6.50
GENERAL MOTORS 7 1/2 95	100	[illegible]	103⅛	+⅛	6.46
JAPAN DEV BK 5 1/2 94	100	[illegible]	97⅛	-⅛	6.95
NEW ZEALAND 4 7/8 99	200	[illegible]	89⅛		6.75
QUEBEC HYDRO 5 08	100	82	82⅛		6.83
SKANDINAVISKA ENSK 6 1/2 95	100	[illegible]	99⅛	+⅛	6.80
WORLD BANK 5 03	150	[illegible]	87⅛	-⅛	6.65
WORLD BANK 7 1/4 92	100	[illegible]	101	-⅛	6.75

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94⅛	94⅝		7.04
CANADA 4 3/8 92	80000	96⅞	97⅛		7.51
CREDIT FONCIER 5 1/4 98	20000	[illegible]	94⅛		7.25
DENMARK 7 95	40000	100⅛	100⅜		6.94
EIB 4 5/8 94	40000	93⅞	94⅛	+⅛	7.00
GENERAL ELECTRIC 5 3/4 93	35000	97⅛	97⅝	+⅛	7.46
INTER AMER DEV 7 1/4 00	30000	102⅞	103⅛	+⅛	6.85
ITALY 5 3/4 92	150000	99	99⅛	+⅛	7.17
KANSAI ELEC PWR 4 5/8 94	60000	[illegible]	[illegible]		7.17
NIPPON TEL & TEL 5 7/8 96	90000	[illegible]	[illegible]		6.76
NORWAY 5 1/8 95	50000	[illegible]	[illegible]	+⅛	6.87
SWEDEN 5 5/8 95	30000	95⅛	95⅝	+⅛	6.92
WORLD BANK 6 3/4 00	50000	100	100⅛	+⅛	6.74

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	92⅛	93⅛		[illegible]
KREDIETCORP 7 93 LFr	1000	94⅛	95⅛		[illegible]
WORLD BANK 8 96 LFr	1000	96	97		[illegible]
AMRO BANK 6 1/4 92 Fl	150	96⅛	[illegible]		[illegible]
RABOBANK 5 3/4 93 Fl	150	94⅛	[illegible]		9.26
ALBERTA PROVINCE 10 92 C$	500	100⅛	[illegible]	+⅛	9.58
BCE INC 9 5/8 93 C$	300	99⅛	[illegible]		10.05
BELL CANADA 10 5/8 99 C$	150	99⅞	[illegible]	+⅛	10.64
BRITISH COLUMBIA 9 1/4 93 C$	150	99⅞	99⅞		9.76
EIB 10 1/8 98 C$	130	99⅞	100⅛	-⅛	10.21
FORD CREDIT CANADA 10 94 C$	100	98½	99		10.55
GENERAL ELECT CAP 10 1/4 93 C$	175	100⅛	101⅛		9.82
MONTREAL TRUSTCO 8 1/2 92 C$	100	98⅛	[illegible]		10.68
ONTARIO HYDRO 10 7/8 99 C$	500	101⅞	102⅛		10.50
QUEBEC PROV 10 1/2 98 C$	200	99⅞	100		10.57
ROYAL TRUSTCO 10 1/4 93 C$	100	99⅛	99⅝		10.76
SWEDEN 9 3/4 93 C$	250	100⅛	101		9.44
BELGIUM 9 1/8 96 Ecu	1250	100⅛	100⅜		8.91
CNT 7 3/8 93 Ecu	250	95⅛	96⅛		9.79
CREDIT LYONNAIS 9 96 Ecu	125	96⅛	96⅝	-⅛	9.89
DENMARK 7 5/8 96 Ecu	250	90⅞	91⅛	-⅛	10.10
EEC 7 5/8 94 Ecu	200	96⅛	97⅛	-⅛	9.04
EIB 10 97 Ecu	1125	105	105⅛		8.83
ITALY 10 3/4 00 Ecu	1000	109⅞	109⅞		9.11
UNITED KINGDOM 9 1/8 01 Ecu	2750	100⅛	100⅜	-⅛	8.99
BMW FINANCE 14 1/2 92 A$	100	102⅛	102⅝	+⅛	11.76
COUNCIL EUROPE 13 93 A$	90	101⅛	102⅛	-⅛	12.08
EKSPORTFINANS 12 3/8 95 A$	75	103⅛	104	-⅛	11.24
FORD CRED AUST 13 93 A$	50	100⅞	101½	-⅛	12.50
ICI 15 1/2 92 A$	100	103⅞	104⅛	+⅛	11.47
MCDONALDS CANADA 15 95 A$	100	109⅞	110⅛	+⅛	11.87
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106⅞	107⅛	+⅛	11.57
STATE BK NSW 14 1/4 99 A$	100	111⅛	111⅝	-⅛	11.98
VOLKSWAGEN INTL 15 94 A$	100	107⅞	108	+⅛	11.76
ABBEY NATL TREAS 13 3/8 95 £	100	106	106⅛		11.28
BARCLAYS JERSEY 9 1/2 93 £	250	97⅛	97⅝		11.03
BRITISH GAS 12 3/4 95 £	300	105⅛	105⅝		10.95
DEUTSCHE BK FIN 11 94 £	225	100⅛	100⅜		10.77
EIB 10 97 £	306.5	96⅛	96⅝		[illegible]
FORD CREDIT FUNDING 9 5/8 93 £	30	96⅛	96⅝		[illegible]
INTER AMER DEV 11 3/8 95 £	75	102	102⅛		[illegible]
ITALY 10 1/2 14 £	400	92⅛	92⅝	-⅛	[illegible]
LAND SECS 9 1/2 07 £	200	80⅛	80⅝	-⅛	[illegible]
LEEDS PERMANENT 9 1/4 93 £	50	96⅛	97	-⅛	[illegible]
NORWAY 10 1/2 94 £	200	99⅛	[illegible]	-⅛	[illegible]
ROLLS-ROYCE 9 5/8 98 £	150	96⅛	[illegible]		[illegible]
SAINSBURY 10 7/8 93 £	100	99⅞	99⅞	-⅛	[illegible]
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅛	105⅝	+⅛	[illegible]
WORLD BANK 11 1/4 95 £	100	102	102⅛	+⅛	[illegible]
ABBEY NATIONAL 0 96 NZ$	100	57⅛	58⅛		[illegible]
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	105	106		[illegible]
AIOC 7 7/8 93 FFr	[illegible]	96⅛	97⅛		[illegible]
CREDIT LYONNAIS 10 95 FFr	[illegible]	101⅛	102⅛	-⅛	[illegible]
EURATOM 7 5/8 98 FFr	[illegible]	92⅛	93⅛	-⅛	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.04	100.14	7.9938
ALLIANCE & LEICS 0.08 94 £	300	99.59	99.69	11.9550
BANCO ROMA 0.03 01	200	93.75	98.25	7.9963
BANCO SANTO SPIRITO 93	200	99.63	99.76	6.5000
BELGIUM 1/16 97 DM	500	99.95	100.10	9.1250
BFCE -0.02 96	350	100.05	100.15	6.1050
BNP 05	300	95.75	96.75	6.0625
BRITANNIA 1/10 96 £	150	99.28	99.40	11.9750
CCCE 06 ECU	200	99.88	99.96	9.5938
CITIZENS FED 0.15 96	100	99.25	99.75	7.0250
COMMERZBK O/S FIN 93	200	99.95	100.05	6.5625
DENMARK -1/8 96	1000	99.71	99.81	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.78	99.88	9.2656
ELEC DE FRANCE 1/8 99	400	100.25	100.63	7.0000
FERRO DEL STAT 94	200	100.60	100.85	6.8750
HALIFAX 1/10 94 £	500	99.85	99.95	11.7250
HILL SAMUEL 1/4 PERP	75	81.50	84.00	6.4375
MITSUI FIN ASIA 1/8 96	100	99.73	99.83	7.0000
MORGAN (JP) 1/4 97	250	98.88	99.38	6.2500
NAT WEST FIN 3/16 05	400	92.88	94.38	6.5000
NEW ZEALAND 93	500	99.76	99.86	6.5000
QUEBEC PROV 01	300	96.83	97.00	6.1250
RENFE 98	500	99.92	100.02	6.0625
SOCIETE GENERALE 96	300	99.19	99.29	6.3125
STATE BK VICTORIA 0.05 99	125	98.60	98.85	7.8625
UNITED KINGDOM -1/8 96	4000	100.05	100.08	6.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	113⅛	114⅛	[illegible]
ASDA-MFI 4 3/4 02 £	100	1.44	117⅛	118⅛	[illegible]
BURTON GROUP 4 3/4 01 £	110	[illegible]	117⅞	119⅛	[illegible]
EASTMAN KODAK 6 3/8 01	300	[illegible]	96⅛	97⅛	[illegible]
GOLD KALGOORLIE 7 1/2 00	65	1.0254	64⅛	[illegible]	+49.14
GOODYEAR TIRE 6 7/8 05	[illegible]	[illegible]	80⅛	[illegible]	[illegible]
GRACE (WR) 6 1/4 02	[illegible]	[illegible]	42⅛	[illegible]	[illegible]
HANSON 9 1/2 06 £	[illegible]	2.5875	[illegible]	[illegible]	[illegible]
HAWLEY 6 02 PREF	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HILLSDOWN 4 1/2 02 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INTL PAPER 5 3/4 02	[illegible]	[illegible]	103⅞	104⅞	+4.68
LAND SECS 6 3/4 02 £	84	6.72	82⅞	83⅞	+9.20
MITSUBISHI BK 1 3/4 02	300	2727.1	112	113⅛	+0.10
OGDEN 6 02	85	39.077	70	71	+43.97
PACIFIC DUNLOP 6 3/4 97	75	3.749	109⅛	110⅛	+2.26
TEXAS INSTRUMENTS 2 3/4 02	300	[illegible]	83	84	[illegible]
THORN EMI 5 3/4 04 £	103	[illegible]	111⅛	112⅛	[illegible]

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

US Treasuries gain further ground

By Patrick Harverson in New York and Sara Webb in London

US TREASURY prices yesterday [illegible] repeated the [illegible] over the past [illegible] days, with the two-year [illegible] continuing [illegible] outperform in [illegible] generally firmer, but quiet, [illegible].

By midday the benchmark 30-year government bond was up ⅛ at 98⅞, to yield 8.257 per cent, while two-year paper was up ⅛ at 100⅝, carrying a yield of 6.530 per cent.

GOVERNMENT BONDS

A welter of economic news failed to dislodge the market from its steady upward course, as most of the data was in line with expectations.

Initial unemployment claims [illegible] the [illegible] ended May 18 fell 9,000, continuing the recent trend of a modest improvement in labour conditions. New family home sales rose 1.2 per cent in April, as forecast, while personal income and consumption rose 0.1 per cent and [illegible] 0.1 [illegible] cent, respectively.

To the surprise of many traders, the Federal Reserve set $1.5bn in customer repurchase agreements mid-morning. Analysts had not expected any intervention because Fed funds had been trading for most of the morning at the Fed's target of 5¾ per cent.

● TRADERS hailed as a success the French treasury's auction of Ecu470m of its 9.5 per cent tap stock due 2000.

The Ecu-denominated tap stock was covered 4.8 times and traders said there was no "tail" or spread of accepted bids, showing that demand for the issue was very strong.

The average yield was 9.04 per cent, compared with 9.62 per cent when the stock was last sold in January, and the total bids amounted to Ecu2.51bn. The latest auction brings the total size of the 2000 issue to about Ecu3.12bn.

The yield premium of the French Ecu issue over the UK's Ecu gilt issue widened to 8 basis points on Wednesday, ahead of the auction, but narrowed today back to 7 basis points.

[illegible] in Europe, [illegible] central bank announced it was cutting its discount rate from 10 per cent to 9 per cent with effect from today.

Sweden's discount rate tends [illegible] the [illegible] market [illegible] than [illegible] yardstick. Yields on bonds slipped slightly on the announcement yesterday. [illegible] been [illegible] falling since the central [illegible] linked the [illegible] to [illegible] Ecu [illegible] ago, and the market expects interest rates to continue falling in the coming months.

The German government bond market was closed yesterday for the Corpus Christi holiday. Elsewhere, rumours circulated that there [illegible] be an announcement [illegible] a Dutch guilder bond auction shortly.

■ UK government bonds fell back yesterday due [illegible] heavy selling in both the cash and futures markets. Traders have been selling gilt futures for [illegible] purposes and a spate of Eurosterling issues has encouraged some [illegible] to switch out of [illegible] and into corporate issues.

Short-dated gilts were virtually unchanged during [illegible] day. Traders said there had been some speculation in the market about another base rate cut, though they point out that such optimism may [illegible] misplaced.

Longer-dated gilts fell by as much as [illegible] a point. The benchmark 11¾ per cent gilt due 2003/07 opened at 109⅛ and fell to 108⅞ by late afternoon.

■ *SPECULATIVE* buying helped [illegible] push up Japanese government bond prices yesterday afternoon as traders hope that the consumer prices index released today will [illegible] the Bank of Japan to cut the official discount rate.

[illegible] Tokyo [illegible] CPI [illegible] from [illegible] year-on-year, while [illegible] for [illegible] nationwide April CPI figure range from 3.5-3.6 per cent year-on-year. The yield on the benchmark No 129 JGB opened at 6.655 per cent and closed at 6.62 per cent.

BENCHMARK GOVERNMENT BONDS

	[illegible]	Red Date	Price	[illegible]	Yield	Week ago	Month ago
UK GILTS	[illegible]	09/92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	03/00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	9.000	10/08	[illegible]	[illegible]	10.11	[illegible]	[illegible]
US TREASURY *	[illegible]	05/01	99-22	[illegible]	[illegible]	8.08	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.27	[illegible]
JAPAN	[illegible]	[illegible]	98.3399	-	7.02	7.03	6.78
	[illegible]	03/00	[illegible]	-	6.62	6.63	[illegible]
GERMANY	[illegible]	01/01	[illegible]	+0.110	[illegible]	8.35	[illegible]
[illegible] BTAN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.69	[illegible]
[illegible]	[illegible]	01/01	[illegible]	[illegible]	[illegible]	8.99	[illegible]
CANADA *	9.750	[illegible]	[illegible]	+0.125	[illegible]	9.62	[illegible]
NETHERLANDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRALIA	13.000	07/00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM	10.000	08/00	105.3500	[illegible]	9.10	8.98	[illegible]

[illegible] closing, [illegible] York morning [illegible]
Yields: Local market [illegible]
Prices: US, UK in 32nds, others in decimal
[illegible] Price Sources

Exchanges set Eurotop date

THE European Options Exchange (EOE) and the Swiss Options and Financial Futures Exchange (Soffex) will start trading options and futures contracts on the Eurotop 100 index on June 6, Reuter reports from Amsterdam.

France's Matif (Marche Internationale à Terme de France) and the American Stock Exchange (Amex) in New York will launch Eurotop contracts later.

The EOE-devised Eurotop index, based on 100 of Europe's most heavily-traded shares, competes with the Eurotrack index developed by the London Stock Exchange. The London futures market will start Eurotrack trade on June 26.

High credit rating for Grand Met

By Stephen Fidler, Euromarkets Correspondent

GRAND Metropolitan, the UK brewing and leisure group, has secured a high credit rating for its US commercial paper programme from the Chicago-based rating agency Duff & Phelps.

The rating – [illegible] 1 – [illegible] equivalent [illegible] A1 rating which Standard & Poor's has given to the company. Moody's Investors Service, [illegible] other main ratings [illegible] Grand Met P2.

The company needed high ratings from two agencies to avoid [illegible] imposed by the Securities and Exchange Commissions on money-market funds purchases.

Money-market [illegible] only allowed to place 5 per cent of their assets in commercial paper rated P2 or under, equivalent to A2 Standard & Poor's and D-2 at Duff & Phelps.

But ratings equivalent to A1 or higher from two recognised rating agencies allow Grand Met to avoid this limitation.

Grand Met has about $4.4bn of commercial paper in the US.

[illegible] & Phelps [illegible] International Distillers and Vintners subsidiary [illegible] "impressive record [illegible] increasing [illegible] which we expect [illegible] continue". It [illegible] great strides in reinvigorating Pillsbury [illegible] the US, the company it acquired in [illegible] for $6bn.

However, there were reservations about the direction of the company's retailing business, with [illegible] Burger King and [illegible] operations presenting significant challenges. The [illegible] also [illegible] company's relatively [illegible] leverage [illegible], however, not out of line with comparable US companies.

● The Eurobond broking businesses of Gintel and Guy Butler (Europe), part of the wholesale securities division of the UK company, will formally merge this weekend and start trading under the name Garban Europe from Monday.

The move brings the Euro-[illegible] brokerage business, based in London and Tokyo, under the umbrella of Garban [illegible].

Michel Pébereau: confident a solution could be found

French banker warns on swaps ruling

By David [illegible], Banking Editor

THE recent UK local authority [illegible] the damage it [illegible] caused to banks could influence [illegible] manner in which [illegible] emerging unified [illegible] are regulated, according [illegible] a [illegible] French banker.

Mr Michel [illegible], president of [illegible] France, said yesterday that the UK government's decision not [illegible] council [illegible] ruled illegal [illegible] Law [illegible] undermined [illegible] principle of "my word [illegible] my bond".

CCF, [illegible] Paris-based bank, was [illegible] of [illegible] leading [illegible] players in that market, and it [illegible] make [illegible] provisions [illegible] were [illegible] illegal. It [illegible] detailed [illegible] precise exposure, [illegible] may [illegible].

Mr Pébereau, who was speaking in London, said he was confident that a solution [illegible] councils [illegible] the [illegible] still be found. But [illegible] *bound* [illegible] influence [illegible] regulation of [illegible] EC financial [illegible].

[illegible] two [illegible] of thought. [illegible] favoured tight regulation, [illegible] other a freer regime [illegible] on trust. Although [illegible] favoured the latter, Mr Pébereau [illegible] affair would tilt the [illegible] in favour of the former.

[illegible] said it [illegible] financial [illegible] operate in [illegible] environment [illegible] "my word [illegible] bond" was effective.

INTERNATIONAL CAPITAL MARKETS

Crédit Local taps Euro-yen sector with Y30bn offer

By Simon London

CREDIT Local became the latest triple-A rated borrower to tap the Euro-yen [illegible] of the international bond market yesterday, offering [illegible] paper in a deal lead managed by Daiwa Europe.

The bonds carry a coupon [illegible] 7 per cent and were reoffered to investors at a fixed price of 99.85, where the yield is [illegible] per cent. At this level the [illegible] offers little yield pick up over [illegible] this maturity from borrowers such as the Inter-American Development Bank and KFW, the German financial institution. However, [illegible] name [illegible] well liked among continental European [illegible] and the [illegible] traded [illegible] around the fixed reoffer level.

Crédit Local [illegible] fungible Ecu100m to its outstanding Ecu 200m [illegible] issue maturing [illegible] which *was launched earlier this* month.

The [illegible] bonds were reoffered [illegible] investors at a [illegible] price of par, where [illegible] yield [illegible] [illegible] to the secondary market levels of the outstanding bonds.

New issue activity in the Ecu sector looks set to pick up in June as borrowers look to establish deals before the summer period. [illegible] addition [illegible] persistent rumours of [illegible] large long-[illegible] issue from Norway, some French government agency borrowers are looking at the market, syndicate [illegible] said.

[illegible] the Eurodollar [illegible] DSM, the Dutch chemicals group in which the government has a 31 per cent stake, came with a $150m five-year issue lead managed by UBS Phillips and Drew.

The deal was priced to yield 74 basis points over US treasury bonds, which was seen as an attractive spread. The paper traded up from a fixed reoffer price of 99.70 to 100.05 bid by the close.

A further SFr150m of equity-linked paper was added to the pile of warrant bond offerings by Japanese companies. So far this week 17 warrant bond issues have been launched in Eurodollars, Swiss francs and D-Marks, totalling $1.25bn equivalent.

Next week, supply promises to be equally heavy with a similar number of deals expected. Although the market remains generally receptive to new issues, the [illegible] weight [illegible] paper is likely to [illegible] the trading performance [illegible] most issues.

[illegible] *Europäische Hypothekenbank*, the German savings bank which is part of the Deutsche Bank group, has launched a Ecu150m Euro-medium term note programme. The arranger and dealer to the programme is *Deutsche Bank Capital Markets*, and other dealers are Credit Suisse First Boston, Morgan Stanley and Salomon Brothers.

INTERNATIONAL BONDS

Greenall Whitley raises £55m

GREENALL Whitley, the UK leisure group, yesterday raised £55m with [illegible] debenture stock issue in the domestic bond market, lead managed by [illegible] Capital Markets, writes Simon London.

Mr Alan Rothwell, director of finance, said that the funds were being used to replace existing uncommitted bank finance as part of a restructuring of the group balance sheet. He said that the difficulties faced by many banks made committed, [illegible]tional funding desirable.

NatWest swapped £50m of the new funds raised yesterday into floating rate, achieving committed long-term funding at [illegible] margin of 50 basis points over the London interbank offered rate.

In December, Whitbread, the UK brewing group, swapped into floating rate the majority of its $135m long-dated debenture issue.

The 24-year paper issued yesterday carries [illegible] coupon of 11⅛ per cent and was priced at 99.979 to yield 145 basis points over the 9 per cent UK government bond maturing 2008.

In addition to the fresh money raised yesterday, the company is asking holders of its outstanding £50m 10 per cent debenture issue maturing 2014 to accept an exchange offer into the new bonds. An extraordinary meeting of bondholders will be held on June 24.

If the exchange offer is accepted, the new issue will total just under £100m, since the old bonds are trading below their nominal value of par.

The new bonds issued yesterday were priced to offer [illegible] basis point yield pick-up over the secondary market yield of the existing issue. However, the terms of the exchange offer guarantee holders of the old bonds [illegible] 20 basis point pick-up by switching into the new paper.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
DSM NV(a)†	150	8½	101.20	[illegible]	1⅞/1.7	UBS Phillips & Drew
ECUs						
Credit Local de France(b)†	100	9⅛	101.175	1994	1⅞/1.275	Paribas Capital [illegible]
SWISS FRANCS						
Kamel Corp(c)★★♦	100	[illegible]	100	1996	-	[illegible]
Dai-ichi Hotel(d)★★♦	50	[illegible]	100	1996	-	Swiss Volksbank
YEN						
Credit Local de France(a)†	30bn	7	101.475	1996	1⅞/1¼	Daiwa Europe
Toyobo(a)†	8bn	7.3	101½	1996	1⅞/1¼	Kankaku Europe

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing Ecu200m deal launched in May. Non-callable. c) Callable 20/12/92 at 101¼% declining ¼% semi-annually until 20/12/94 at 100¼%. d) Callable [illegible]12/93 at 101¼% declining ¼% semi-annually.

SEC votes to ease rules on Canadian securities

By Patrick Harverson in New York

THE Securities and Exchange Commission, the US watchdog, yesterday voted for rule changes that will make it easier for Canadian companies to issue their securities to US investors.

The SEC's commissioners *agreed to adopt* a rule that will allow some Canadian companies to offer their securities in the US using disclosure documents required by Canadian law, rather than those required by the SEC.

In the past, Canadian issuers of stock and debt in the US have had to file registration requirements in both the US and Canada, a cumbersome and expensive exercise that has dissuaded many companies from making their stock available to US investors.

The new rule covers offerings of investment-grade debt and preferred securities, as well [illegible] common equity. In addition, smaller Canadian companies will be allowed to use Canadian disclosure documents for rights offerings and exchange offers.

Yesterday's decision by the SEC should pave the way for similar agreements with other countries, particularly the UK.

The SEC's disclosure standards are among the toughest in the world, and many overseas companies which would like to issue securities in the US have refrained from doing so because of the requirements. *Critics of the SEC's* tough stance have called for an easing in disclosure standards, and proposals for a multi-jurisdictional disclosure system have been in the pipeline for the past two years.

[illegible] *regulators* [illegible] working on a parallel system to allow US companies to use US disclosure documents when raising funds in Canada. A regulatory meeting to decide on a final version of the system is expected to be held in the next few months.

There are more [illegible] Canadian companies presently listed on US stock exchanges. In [illegible] 1990 Canadian issuers made a total of 54 public offerings in the US, worth just under $12bn.

Canadians seek foreign assets

Investors are unsettled by the domestic scene, writes Bernard Simon

CANADIAN investors, both retail and institutional, are markedly stepping up their purchases of foreign assets such as securities and real estate. The trend partly reflects the phased lifting which began last year of the statutory ceiling on foreign assets held by pension funds and other institutions.

In addition, some large public-sector investors, such as the Ontario teachers' and British Columbia government pension funds, have begun for the first time to diversify out of domestic government securities into equities and real estate.

But there is also evidence that while foreign portfolio managers still see Canada as *an oasis of stability*, many Canadians themselves are unsettled by recent political and economic tremors, and by the unremitting strength of the Canadian dollar.

Mr Fraser Blakely, president *of Baring International's subsidiary* in Toronto, says that many of his clients are "somewhat pessimistic about the Canadian situation." Mr Steve McGirr, vice-president for global fixed-income investments at Wood Gundy, has noticed an appetite among retail investors for [illegible] dollar securities. "People are diversifying their assets by currency," he says. "It's perceptible, but not an avalanche."

According to Statistics Canada, purchases of foreign securities reached almost C$800m (US$695m) in February and March, compared with net redemptions of C$1bn in the same two months last year. Foreign bonds made up 57 per cent of this year's purchases.

Mr Marshall Nicholishen, president of Reed Monahan and Nicholishen, which manages pension fund portfolios, says he is also taking a closer look at investing in Canadian companies, such as telephone equipment maker Northern Telecom and transport group Bombardier, which get a sizeable chunk of their revenues from foreign operations.

The federal government last year proposed lifting the ceiling on institutions' foreign *assets from 10 per cent to 20* per cent over a period of five years. Although the changes are not yet on the statute book, the government has informally given the go-ahead for investors to lift their foreign holdings to at least 12 per cent of assets.

According [illegible] Mr Blakely, many institutions have spent the past year *discussing* strategies and are only now taking action to raise their foreign exposure. The political nervousness is caused partly by tensions over Quebec's future role in Canada, and by a recent severe loss of business confidence in Ontario, the country's industrial heartland.

Quebec last week floated its first bond of the year on the domestic market. Although the 10-year C$250m issue was quickly sold, the province offered an unusually wide spread of 95 basis points above government of Canada bonds.

Ontario's new social-democratic government has unsettled investors by tripling its budget deficit for the current fiscal year, and promised sweeping new labour laws to enhance the bargaining power of trade unions. All leading bond rating agencies have cut the province's debt rating in recent weeks.

Against this background, the Canadian dollar's extraordinary strength has defied all predictions. It rose further this week to a seven-month peak of 87.22 US cents. With the inflation rate above 6 per cent and many industries complaining bitterly about eroding export markets, many investors still remain convinced that the dollar is due for a slide, and are thus diversifying into other currencies.

Some economists however, have begun warning that the drop will be longer delayed and, when it does come, may be much shallower than they previously expected. They have been persuaded that Mr John Crow, the governor of the Bank of Canada, and the finance department have their sights set, above all, on squeezing inflation. Ottawa earlier this year set a target of bringing growth in the consumer price index down to 2 per cent by the end of 1995.

Foreign investors appear already to have got that message. Non-resident purchases [illegible] Canadian [illegible] soared [illegible] the [illegible] three months [illegible] year, over three [illegible] than a year earlier.

Mr McGirr at Wood Gundy says that, [illegible] the political jitters, foreigners are attracted by the commitment to bring down inflation, and the [illegible]quent prospect of large capital gains as interest rates [illegible]

Bond scheme faces final hurdle

By Simon London

THE six-month campaign to put in place [illegible] scheme of arrangement to salvage Bond Corporation Holdings, the collapsed company once [illegible] by Mr Alan Bond, the [illegible]lian entrepreneur, [illegible] final test today.

German bondholders meet in Frankfurt to vote on a debt-for-equity swap which, the company argues, offers them the best return on their investment. *If agreement* is reached the company will then only need the [illegible] of the Australian courts.

On Wednesday, [illegible] A$850m equivalent convertible bonds met in London and voted to accept the proposals. [illegible] bondholders and [illegible] company's [illegible] already agreed to the scheme.

The scheme offers holders of nearly A$2bn Bond Corporation [illegible] a [illegible] four-year redeemable preference shares and ordinary shares in [illegible] company. This will dilute existing shareholders [illegible] around one-tenth of their previous stake. Mr Bond will be left with a 5 per cent share.

According to an independent *assessment of the scheme* by Ferrier Hodgson, the Australian accounting firm, an immediate sale of the company's assets would raise A$15m for unsecured creditors. However, it estimates the scheme [illegible] *arrangement will raise A$219m* over five years.

On this basis, the restructuring will yield straight [illegible] holders around 19 cents in the dollar over four years. Convertible bondholders should get [illegible] 5 [illegible] in the dollar.

In London for the meeting of convertible bondholders, Mr Kim McGrath, Bond Corporation director, said an orderly "work out" would realise more than immediate liquidation because many of the assets are "immature".

For example, many of Bond Corporation's assets are related to litigation – which can be better pursued by the company than by a liquidator. Ferrier Hodgson valued "*litigious assets" at A$175m under* the scheme of arrangement.

Equally, by developing the company's [illegible] Mr McGrath hopes to realise a higher value than by selling undeveloped land.

The company has also negotiated [illegible] deal with Australian Consolidated Investments (ACIL), formerly Bell [illegible]. ACIL [illegible] to a reduction in its secured claims from A$400m to A$160m. ACIL is also providing up to A$12m per month [illegible] meet running costs.

Mr Peter Lucas, Bond Corporation Holdings chairman, [illegible] the company had to employ six people just to provide information [illegible] official enquiries in progress in Australia.

CNL sells off leasing portfolio to Hispamer

By Peter Bruce in Madrid

SPAIN'S largest leasing company, Consorcio Nacional del Leasing (CNL), has sold its *entire leasing portfolio* to Hispamer, a financing affiliate of Banco Hispano Americano, for nearly $400m.

The decision to sell was made by CNL's new owner, Mr Javier de la Rosa, an entrepreneur with close ties to [illegible] Kuwait Investment Office (KIO), which launched a takeover bid for CNL on the Madrid bourse a month ago. [illegible] now controls 50.3 per cent of the company.

Mr de la Rosa, one of Spain's wealthiest men, manages KIO's huge industrial and property investments in Spain but wanted to begin an investment drive on his own account. The proceeds from the CNL portfolio may be used to fund these new investments.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday May 30 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed May 29: Index No.	Tue May 28: Index No.	Fri May 24: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (186)	813.67	-0.6	11.43	5.97	10.73	15.76	818.94	816.82	818.93	888.92
2	Building Materials (24)	1030.89	-1.5	11.14	6.01	11.04	22.01	1046.34	1050.42	1057.67	1117.94
3	Contracting, Construction (31)	1271.65	-0.3	9.38	6.34	13.96	30.61	1274.92	1279.99	1288.75	1370.86
4	Electricals (10)	2358.96	+0.4	11.15	5.67	11.42	61.85	2350.38	2346.63	2349.63	2535.96
5	Electronics (25)	1752.01	-0.2	8.92	5.12	14.98	7.81	1754.81	1743.45	1742.80	1852.36
6	Engineering-Aerospace (8)	419.38	-0.3	16.64	5.97	7.23	10.60	420.55	420.60	422.83	485.92
7	Engineering-General (47)	438.29	......	12.77	5.99	9.46	8.43	438.07	436.84	437.27	489.66
8	Metals and Metal Forming (8)	441.60	-0.5	20.22	7.81	6.10	2.31	443.70	441.86	443.38	484.82
9	Motors (13)	322.98	-0.1	12.47	7.53	9.48	9.89	323.25	321.45	323.03	358.25
10	Other Industrial Materials (20)	1470.52	-1.1	9.61	5.53	12.25	31.84	1487.22	1475.82	1473.96	1630.30
21	CONSUMER GROUP (188)	1460.53	-0.2	8.13	3.71	15.17	18.58	1464.18	1459.06	1452.72	1288.41
22	Brewers and Distillers (22)	1809.11	-0.5	8.42	3.67	14.61	21.60	1817.32	1804.52	1801.83	1560.11
25	Food Manufacturing (20)	1170.19	+0.4	9.84	4.20	12.52	18.39	1166.58	1153.89	1151.14	1089.07
26	Food Retailing (16)	2753.39	-0.1	7.93	3.04	16.47	30.32	2756.98	2742.06	2727.66	2513.28
27	Health and Household (21)	3408.40	-0.6	5.63	2.52	20.29	29.05	3427.42	3406.66	3351.90	2556.09
29	Hotels and Leisure (23)	1289.31	-0.1	10.29	5.31	11.54	23.57	1291.12	1294.25	1293.78	1444.79
30	Media (26)	1416.01	-1.1	9.52	4.94	13.37	22.11	1432.37	1448.86	1451.89	0.00
31	Packaging, Paper & Printing (17)	664.16	-0.2	7.98	4.95	15.69	11.81	665.19	667.04	670.27	591.34
34	Stores (33)	897.17	+0.2	8.86	4.07	14.75	12.50	895.16	895.04	897.49	809.62
35	Textiles (10)	531.34	+1.3	10.38	5.88	11.90	9.55	524.75	524.31	530.06	495.09
40	OTHER GROUPS (107)	1228.36	......	9.96	5.15	12.35	11.16	1227.71	1223.23	1223.79	1176.81
41	Business Services (12)	1210.56	-0.8	10.91	5.38	11.27	13.23	1219.79	1220.88	1223.20	0.00
42	Chemicals (21)	1372.76	+1.3	8.31	5.23	13.66	28.71	1354.77	1346.63	1341.20	1276.52
43	Conglomerates (10)	1457.54	-0.4	10.45	7.12	11.55	17.49	1463.42	1459.49	1457.52	1669.75
44	Transport (13)	2183.77	-0.4	11.20	4.78	11.02	26.91	2192.20	2190.44	2198.80	2260.41
45	Electricity (14)	1233.57	......	11.24	5.41	11.15	0.00	1232.93	1232.64	1233.51	0.00
46	Telephone Networks(4)	1479.18	-0.3	10.32	4.06	12.65	0.00	1483.94	1471.54	1471.43	1191.46
47	Water(10)	2455.58	+0.1	14.08	5.64	7.94	39.69	2453.81	2445.58	2453.77	1935.23
48	Miscellaneous (23)	1865.34	+0.5	6.23	5.10	20.60	22.21	1856.34	1859.09	1865.79	1790.06
49	INDUSTRIAL GROUP (481)	1229.54	-0.2	9.37	4.62	13.14	15.77	1232.37	1228.22	1226.44	1167.21
51	Oil & Gas (19)	2359.01	+0.9	11.50	5.80	11.45	50.59	2337.57	2323.80	2321.55	2337.57
59	500 SHARE INDEX (500)	1325.81	-0.1	9.64	4.77	12.89	18.51	1326.93	1322.03	1320.20	1265.13
61	FINANCIAL GROUP (97)	800.52	-0.1	-	5.94	-	18.07	801.41	797.27	793.11	805.52
62	Banks (9)	904.83	-0.5	7.62	6.12	19.02	22.63	909.65	900.74	892.62	862.39
65	Insurance (Life) (7)	1474.05	+1.3	-	5.61	-	41.64	1454.50	1446.25	1445.55	1381.34
66	Insurance (Composite) (6)	669.92	......	-	6.55	-	20.23	669.61	666.13	660.01	680.75
67	Insurance (Brokers) (8)	1074.66	-0.1	7.33	6.25	17.74	21.24	1076.01	1066.22	1063.44	1088.05
68	Merchant Banks (7)	421.16	-0.2	-	4.92	-	4.47	422.16	421.92	422.05	439.47
69	Property (40)	948.84	-0.3	6.60	5.10	20.72	7.90	951.97	959.51	960.50	1100.93
70	Other Financial (20)	283.72	-0.1	9.27	6.39	13.40	4.75	283.96	282.36	282.96	313.75
71	Investment Trusts (70)	1204.90	+0.1	-	3.48	-	15.60	1204.09	1200.70	1204.41	1209.50
99	ALL-SHARE INDEX (667)	1198.48	-0.1	-	4.89	-	18.11	1199.48	1194.85	1192.72	1154.24

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 29	May 28	May 24	May 23	May 22	Year ago
FT-SE 100 SHARE INDEX♦	2491.2	-1.7	2495.2	2484.1	2492.9	2479.7	2471.1	2482.8	2465.9	2345.1

FIXED INTEREST

	PRICE INDICES	Thu May 30	Day's change %	Wed May 29	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	121.65	-0.01	121.67	2.40	4.29
2	5-15 years (28)	130.69	-0.12	130.85	2.70	5.15
3	Over 15 years (9)	136.85	-0.20	137.13	2.30	5.02
4	Irredeemables (6)	149.31	-0.21	149.62	1.18	6.11
5	All stocks (72)	130.01	-0.09	130.13	2.58	4.92
	Index-Linked					
6	Up to 5 years (1)	159.26	-0.10	159.42	0.14	2.72
7	Over 5 years (10)	147.50	-0.22	147.83	1.04	1.52
8	All stocks (11)	148.39	-0.22	148.72	1.01	1.56
9	Debs & Loans (56)	109.63	+0.02	109.61	2.23	4.30

	AVERAGE GROSS REDEMPTION YIELDS		Thu May 30	Wed May 29	Year ago (approx.)
	British Government				
1	Low	5 years	9.22	9.20	11.34
2	Coupons	15 years	9.82	9.79	11.00
3	(0%-7¾%)	20 years	9.97	9.94	10.94
4	Medium	5 years	10.35	10.33	12.40
5	Coupons	15 years	10.26	10.23	11.53
6	(8%-10¾%)	20 years	10.19	10.16	11.29
7	High	5 years	10.52	10.50	12.50
8	Coupons	15 years	10.43	10.40	11.84
9	(11%-)	20 years	10.32	10.29	11.61
10	Irredeemables	‡	10.22	10.20	10.88
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.11	4.07	5.28
12	Inflation rate 5%	Over 5 yrs.	4.21	4.19	4.22
13	Inflation rate 10%	Up to 5 yrs.	3.22	3.17	4.22
14	Inflation rate 10%	Over 5 yrs.	4.02	4.00	4.03
15	Debs &	5 years	11.88	11.88	14.64
16	Loans	15 years	11.65	11.65	13.45
17		25 years	11.45	11.45	13.02

♦Opening index 2494.7; 9 am 2485.1; 10 am 2485.3; 11 am 2489.5; Noon 2493.9; 1 pm 2494.2; 2 pm 2492.4; 2.30 pm 2492.5; 3 pm 2491.2; 4 10 pm 2489 9; (a) 8.32am (b) 9.20am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	71	13
Corporations, Dominion and Foreign Bonds	0	5	15
Industrials	214	319	996
Financial and Properties	101	83	532
Oils	22	18	53
Plantations	0	0	10
Mines	42	21	[illegible]
Others	44	22	107
Totals	423	539	1,845

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. n Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest [illegible] earnings. M Dividend [illegible] yield based on prospectus or other official estimates for 1991-92. N Dividend and [illegible] based on prospectus or other official estimates for 1992. Q Gross. R Forecast [illegible] dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ‡ Unlisted securities market. ¶ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

LONDON TRADED OPTIONS

[illegible]

May 30 Total Contracts 22,836
Calls 15,194 Puts 7,642
FT-SE Index Calls 1,580 Puts 1,865
Euro FT-SE Calls 177 Puts 121
*Underlying security price. † Long dated expiry months. Premiums shown are based on offer prices.

TRADITIONAL OPTIONS

First Dealings	May 28
Last Dealings	June 7
Last Declarations	August 29
For [illegible]	Sept. 9

For rate indications see [illegible] of London Share Service

Calls in Atlantic Res., Berisford Intl., Control Sec., Cookson, Dewhirst, Geevor, Markheath, Oliver Res., Premier Cons. and Tusker Res. Puts in Brent Walker and Lloyds Abbey Life.

Domestic supply operations still generate over 75% of profits

British Gas surges 46% to £1.6bn

By David Owen

OVER THREE quarters of the *profits of British Gas continue* to be generated by its domestic gas supply operations, in spite of its much-reiterated intention to boost its presence in upstream activities and overseas gas supply.

The group yesterday unveiled record pre-tax profits of £1.56bn on a current cost basis for the year ended March 31 1991 – a gain of 46 per cent over the previous £1.06bn. Turnover rose by nearly 19 per cent to £9.49bn (£7.98bn).

It made much of a 77 per cent improvement to £264m in operating profits of its exploration and production business, on the back of a three-fold increase in output from the South Morecambe gas field.

Even so, exploration and production's share of group operating profits advanced only from 13.5 per cent to 16 per cent. Overseas gas supply chipped in with 4 per cent, reflecting a first-time contribution from Consumers' Gas, the Canadian business bought in December for C$1.1bn (£553m).

The contribution from UK marketing activities, meanwhile, slipped from 5.6 per cent to 3.7 per cent as high interest rates and the sluggish property market depressed gas central heating demand.

The group attributed much of its sharp profit jump to colder weather, which it said had raised post-tax earnings by £160m, in comparison to 1989-90 when Britain experienced its *mildest winter for more than* 300 years.

It said that earnings per share, on a weather-adjusted basis, were up only 7 per cent. This compared with an actual increase of almost 33 per cent, from 16.2p to 21.5p.

The cash flow statement showed that long-term debt had risen to £900m (£51m), largely as a result of the £571m of net borrowings taken on with the purchase of Consumers' Gas. Mr Allan Sutcliffe, managing director of finance, said that was in line with the group policy of moving towards more long-term debt on its balance sheet. Gearing at the year end was 10.9 per cent, compared with 5.9 per cent.

He said that capital expenditure of between £9bn and £9.5bn was planned over the next five years, against £1.19bn in the year under review. Operating costs increased by 14 per cent to £7.84bn (£6.88bn).

Trevor Humphries

Robert Evans: forecasts a reduction in the company's 95% share of the contract gas market.

Mr Robert Evans, chairman and chief executive, said he expected at least 10 per cent of the UK commercial and industrial contract gas market to be supplied by competitors by the end of the current calendar year.

He said that British Gas's share of this market (excluding power generation) in 1990 weighed in at 95-96 per cent. Direct sales by the group to the UK power generation market signed up but not yet flowing amount to some 1bn therms per annum.

The group "expects to continue to be able to provide dividend growth in real terms," Mr Evans said. The final this time is 8.75p making [illegible]5p, an increase of 19 per cent over last year's 10.5p.

The accounting date is being changed to December 31, effective this year, and the group will report on a quarterly basis commencing with the period to March 31 1992.

In addition to a conventional interim dividend, a transitional payment for the three months to December 1991 will be declared.

See Lex

Tesco board attacked over pay increases

By John Thornhill

A *HEATED* argument erupted at Tesco's annual meeting yesterday about the vexed issue of directors' pay.

The rise in the collective remuneration of the grocery chain's board from £2.24m to £6.74m was branded as "obscene" by one shareholder.

And Mr Alan Diamond, a private shareholder who the day before had grilled the directors of Prudential Corporation about their salaries, condemned chairman Sir Ian MacLaurin's pay award of £1.48m arguing that captains of industry should exercise restraint in the current economic climate.

"If you fail to put your house in order the next Labour government surely will," he said to widespread applause.

However, these criticisms drew a spirited response from Mr Peter Stormonth-Darling, chairman of Mercury Asset Management, the fund management group which is one of Tesco's largest shareholders.

He praised Tesco's "outstanding performance" and said: "We should be grateful to Sir Ian and his team. If he has made a little bit of money I am very pleased. It is a mere fraction of what he has made for us."

Mr Victor Benjamin, Tesco's deputy chairman and head of the remuneration committee, defended the pay awards saying that Sir Ian's pay had contained a bonus element of £1.09m resulting from the 71 per cent growth in Tesco's earnings per share over the previous three years.

The normally impassive Sir Ian clearly became quite irate at the criticism. "People sitting on this board today can move to America or Europe and triple or quadruple what they earn. I think what we have heard today is quite extraordinary," he said.

He also took the opportunity to launch a fierce attack on the current Sunday trading law, which he described as an "ass". He said Tesco would open its superstores in England and Wales as soon as the law was amended.

After the meeting, [illegible] Reid, finance director, said: "We do not want to break the law. But [illegible] of our major competitors [illegible]ored the law and it fell [illegible] disrepute then we would have to review our position."

Libel action settled

Settlement was announced in the High Court on February 28 of a libel action brought by Mr and Mrs Brian Fearn against Chestergate Group and others (FT March 30 1990).

The defendants withdrew and apologised for any imputation of dishonesty in connection with the sale by the Fearns of Gilken contracts to Chestergate in 1988.

European Commission likely to oversee a Hanson bid for ICI

By Ralph Atkins and Roland Rudd

MR PETER Lilley, trade and industry secretary, has said that only in very limited circumstances could the government expect the European Commission to give it responsibility for regulating a takeover bid for Imperial Chemical Industries by Hanson.

His first public comments on the speculation surrounding Hanson's stake in ICI come as it was yesterday disclosed that lawyers from ICI and Hanson, the conglomerate, have held talks with the EC's task force on merger control.

They have been told that any bid by Hanson would almost certainly be handled by Brussels and would not come under the aegis of the Monopolies and Merger Commission.

Hanson said the meetings were routine and had taken place sometime since the new regulations came into force last September. The Commission has encouraged companies to acquaint themselves with the new rules.

However, the fact that both parties have been discreetly *talking to the EC is an indication* of the degree to which they have accepted that the EC is likely to have jurisdiction *over a possible bid.*

Mr Lilley's remarks, in a letter to Mr Gordon Brown, Labour's trade and industry spokesman, did not rule out intervention by the Department of Trade and Industry in the event of a takeover bid, but were intended to show how there would have to be exceptional justification.

Britain strongly supported the introduction of the European Community Merger Regulation (ECMR) with its emphasis on promoting competition and the narrow scope it gives national government to claim exemptions.

As far as the EC is concerned national rules are inadequate as a means of controlling Community-scale mergers. At the moment combined turnover must total Ecu5bn (£3.5bn) to trigger an initial inquiry.

Exceptions include circumstances where there are specific concerns about defence, public security, the plurality of the media or prudential rules.

Alternatively, Britain could argue *under article 21 of the* ECMR that there was concern about national interest, or under article 9 that there were questions *about competition* in a distinct geographical market.

ICI had hoped that the British government would at least ask the Commission *if it could* look into the implications of a Hanson bid.

However, Mr Lilley told Sir *Denys Henderson, chairman of* ICI, in a meeting last week, that he did not believe such a request would be accepted by Brussels.

Scholl calls for £24.5m to fund expansion

By Michiyo Nakamoto

SCHOLL, the supplier of foot and personal health care products, is raising £24.5m through a rights issue of 14.88m shares to finance a programme of *expansion in markets for niche* products in the health care industry.

The issue is on the basis of one new share for every four ordinary shares and 38.4615 new ordinary for every 400 5.25 per cent convertible preference shares.

The shares closed at 207p, putting the rights price of 170p per share at a gross discount of about 18 per cent.

The fund-raising programme to support expansion in the group's core business follows a year of substantial restructuring which reduced turnover by more than 50 per cent as it shed loss-making peripheral businesses.

Pending investments Scholl intends to use the proceeds to reduce short and medium-term bank borrowings.

Net debt at the group's year end was reduced as a result of disposals from £55m to £13m.

With operations now clearly *focused on the marketing* and selling of personal care products, the group aims to take advantage of emerging market opportunities by acquiring strong brand names in niche products in Europe and Australia, said Mr Neil Franchino, chief executive.

While the slowdown in consumer activity in Europe has affected sales volume, Scholl has been able to increase market share, he pointed out.

The group also hopes to develop emerging markets in the east, particularly in Japan and south east Asia.

Pre-tax profits in 1990 were reduced from £15.91m to £14.18m but increased by 14 per cent on a pro forma basis excluding disposals from a previous £12.4m.

Grampian Holdings slams performance of bid target

By Clare Pearson

Mr Bill Hughes, chairman of Grampian Holdings, the Glasgow-based mini-conglomerate which has launched a £56.9m hostile bid for Macarthy Holdings, the pharmaceuticals manufacturer and retailer, dismisses the target's track record as one of "sub-standard performance, inconsistent *results and muddled strategy*".

His comment comes in Grampian's offer document for the all-paper bid, which was posted yesterday.

It urges shareholders to accept a mix of ordinary and convertible shares and so join a larger group with a record of "consistent growth".

Macarthy's record of "decline and inconsistency" is the opposite of Grampian's, the document says. For instance, Macarthy's earnings per share have fallen by about one third between 1986 and 1990 while Grampian's have more than doubled.

It says Grampian could integrate Macarthy's pharmaceutical manufacturing and distribution business into its own pharmaceuticals division. As for Macarthy's chain of 180 retail pharmacies, Grampian already operates Scottish woollens shops while Mr Hughes qualified as a pharmacist in 1965, giving him relevant experience.

Macarthy's shares closed 8p down at 223p yesterday. Under the offer of one ordinary and eight convertibles for every *five Macarthy, they are valued* at about 205.5p apiece under the bid.

Holders of 6 per cent preference shares are being offered 90p in cash, and holders of 5.5 per cent preference shares 80p in cash.

DIVIDENDS ANNOU[illegible]ED

		Current payment	Date of payment	[illegible]	Total for year	Total last year
ABI Leisure	int	1.57	July 1	-	-	3.1
Babcock Intl	fin	1.8	Aug 27	1.8	3	3
Bett Brothers	int	2.1	July 5	2.1	-	6.4
British Gas	fin	8.75	Oct 2	7.3	12.5	10.5
Capital Radio	int	1.75	July 19	1.75	-	5.25
Dunhill	fin	4.4	July 26	3.5	7	5.5
Eurocopy	int	1.1	Sept 2	1.1	-	4
European Colour	fin	0.4	July 15	0.4	0.65	0.6
Grampian TV	fin	3.4	June 27	2.6	4.1	3.5
GWR	int	1	Sept 30	3	-	6
Macdonald Martin	fin	6	July 26	4.8	8	6.4
M Currie Euro IT	fin	1.1	July 22	-	1.1	-
Scottish Inv Tst	int	1.5	July 19	1.4	-	4.05
Smart (J)	int	2.15	July 15	1.95	-	7.2
South West Water	fin	13.3	Oct 1	11.62	20	11.62
Thorn EMI	fin	21.5	Oct 4	21.5	30.5	30

Dividends shown pence per share net except where otherw[illegible]ted. *Equivalent after allowing for scrip issue. †On capital inc[illegible] by rights and/or acquisition issues. §USM stock.

Courtney Pope to keep offshoots

Courtney Pope, the shopfitting group where several subsidiaries have been put into receivership to save a business core, has decided against selling one of its few remaining parts, writes Jane Fuller.

The sale of either Versatile Fittings or W Potrafke had been considered, but Mr Ronnie Aitken, chairman, said the prices available did not reflect their potential profitability. Had either of [illegible] been sold, the group would have been reduced to a shell, said Mr Aitken.

Debt, which h[illegible] mounted to £18m by October[illegible] been cut to less than £4m following the surgery applied to other subsidiaries.

Capital Radio declines to £5m

By Jane Fuller

THE ADVERTISING recession caught up with Capital Radio in the six months to March 31, when pre-tax profit fell by 31 per cent, from £7.28m to £5.01m.

Turnover was 13 per cent down at £15.75m (£18.15m). Unlike most other commercial radio companies, 70 per cent of Capital's advertising is national. Revenue from that quarter declined by 8.6 per cent, but the local total fell by 34.6 per cent.

Mr Patrick Taylor, finance director, said the contribution from the Ewart television studios was also down because of uncertainty over the ITV franchises.

On a brighter note, the Capital FM and Capital Gold radio stations were tuned into by 48 per cent of Londoners and they increased their listening hours. This was in spite of intensified competition from new London stations and BBC Radio One.

Mr Taylor said that damage to profits had been limited until the start of this year by reducing costs, but the group was not immune to the advertising recession, particularly as the economic downturn had been at its worst in the [illegible] east.

Income from related companies, including Metro and Chiltern, also reflected the downturn in the commercial radio business, falling to £87,000 (£211,000). Capital did, however, have a £1.4m profit to look forward to from the takeover of Radio City (Sound of Merseyside) by Emap, the publishing group.

Mr Taylor said Capital held about £15m cash, giving scope for expansion in the local radio field and in one of the new national stations.

Earnings per share fell to 5p (6.9p). The interim dividend is held at 1.75p.

Havas, the French media company, now has an interest in Capital through its controlling stake in Dominfast Investments, Capital's largest shareholder with 29.6 per cent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 31.05.91: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.25	16.59	16.59
0100	16.07	16.59	16.59
0130	16.07	17.54	17.54
0200	16.35	20.57	20.45
0230	16.35	20.37	20.40
0300	16.25	21.00	21.00
0330	16.07	17.19	17.19
0400	16.07	17.19	17.19
0430	16.07	16.79	16.79
0500	16.07	16.65	16.65
0530	16.07	16.75	16.75
0600	16.07	16.75	16.73
0630	17.20	16.08	16.06
0700	18.61	16.10	16.10
0730	18.12	24.74	28.60
0800	18.89	22.72	25.75
0830	20.98	20.16	30.25
0900	23.97	23.35	30.35
0930	25.09	30.09	30.15
1000	25.09	30.00	30.11
1030	23.57	24.57	28.67
1100	23.67	24.68	25.89
1130	23.57	24.64	25.04
1200	18.29	24.83	28.82
1230	22.71	24.79	28.75
1300	18.28	24.74	28.72
1330	19.16	24.71	28.49
1400	18.96	23.41	25.38
1430	18.67	22.76	24.71
1500	18.67	22.76	24.71
1530	18.67	22.76	[illegible]
1600	18.67	22.35	[illegible]
1630	18.98	23.41	[illegible]
1700	18.98	23.44	[illegible]
1730	18.98	23.44	[illegible]
1800	18.98	23.44	[illegible]
1830	18.54	21.16	[illegible]
1900	18.54	20.79	[illegible]
1930	18.44	20.63	[illegible]
2000	18.12	20.29	[illegible]
2030	18.12	23.60	[illegible]
2100	18.12	23.83	[illegible]
2130	18.12	23.83	[illegible]
2200	18.44	23.83	[illegible]
2230	18.44	23.63	[illegible]
2300	18.12	19.02	[illegible]
2330	18.12	18.65	[illegible]
2400	16.25	16.09	16.09

Prices are determined for [illegible] in each twenty-four hour period [illegible] over [illegible] decimal places. To convert [illegible] pence per kilowatt-hour the decimal point should be [illegible] to the left [illegible]. Provision for the [illegible] of pool prices is made in the Settlement Agreement which [illegible] operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to [illegible] in respect of electricity traded [illegible] the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is [illegible] paid by purchasers of electricity [illegible] pool pooling arrangements. It is [illegible] upon the determination of Pool [illegible] Price. Final pool prices are also [illegible].

NGC Settlements Limited

UK COMPANY NEWS

Bid rumour fuels chain reaction

John Thornhill on the latest speculation surrounding Asda's future

SHARES IN Asda have risen in heavy trading over the last two days as renewed speculation surfaced about the future of Britain's fourth largest supermarket chain.

The shares closed 2p higher yesterday at 117p after rising 6p on Wednesday, valuing the company at £1.37bn.

After falling sharply since March, Asda's shares have recently traded briskly as a spate of rumours about an impending takeover bid has swept around the company.

City favourites as potential bidders have ranged from Aldi, the [illegible] discount chain, to Kingfisher, the UK group which has wide-ranging retailing interests spanning Woolworth, B&Q and Superdrug – but no supermarkets.

These two companies, however, appear extremely unlikely candidates and there is more of a superficial rationale for putting others in the frame such as Metro and Tengelmann, the German retailing groups.

The big three UK grocery chains, J Sainsbury, Tesco and Argyll Group (which owns Safeway), would almost certainly be restricted from bidding because of monopoly considerations.

Yet Asda itself dismisses such tales and says all is "business as usual".

"It seems from where we sit that there is a lot of speculative reporting feeding on itself," the company comments.

Asda has, as a matter of course, recently sent out a batch of Section 212 notices – which force nominees to reveal the ultimate owners of shares. But Mr Paul Dowling, Asda's corporate affairs director, says: "We have not unearthed anything of any importance. We have not identified any shareholder of significance."

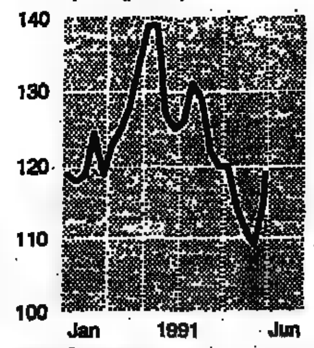
As a measure of just how wild some of the rumours have become, there was a story – later flatly denied – that these 212 notices had flushed out Sir Ian MacLaurin, chairman of the rival Tesco chain, as a personal buyer of a sizeable shareholding in Asda.

But even if the current wave of market gossip ebbs away, many analysts still harbour doubts about Asda's long-term future in the food retailing market.

Still saddled with the borrowings taken on to finance the acquisition of 60 Gateway superstores in [illegible] and increasingly squeezed by the [illegible] in the sector, Asda appears to have significant strategic problems – making its desirability as a takeover target all the harder to fathom.

Asda

Share price (pence)



Source: Datastream

Some analysts speculate that a bidder would have to pay between £2.5bn and £3bn – including the assumption of debt – to win control of the company and would require a further outlay of about £500m a year on capital expenditure to compete with its rivals.

Even then Asda would be left with a weak number four slot in the market.

In sharp contrast to the other three multiple chains where profits have powered ahead this year, Asda may register a further fall as high interest charges and weak trading from its non-food and furniture interests in MFI and Allied Maples depress the bottom line.

Analysts estimate that pre-tax profits may come in at £175m compared with £180.3m last year and £246.6m in 1989.

But although Asda may privately concede that it is suffering from paying too much when spending £705m for the Gateway stores, the company argues that it can still derive great financial benefits from improving these stores' buying terms, trading format and margins.

"The acquisition of the Gateway stores substantially advanced the store opening programme and our job now is to unlock that trading potential," Mr Dowling says.

Some analysts agree and see considerable upside in Asda's share price, although they suggest Asda may first have to bolster its balance sheet by means of a rights issue or a sale and lease-back deal, both of which would be tricky to achieve.

But the market still seems to cling to the belief that something is awry at Asda and the company's shares are likely to reflect that unease until something more definite emerges.

McCarthy & Stone calls for £13.3m

By Andrew Taylor

McCARTHY & Stone, Britain's biggest builder of sheltered housing for the elderly, yesterday joined the list of construction companies to announce rights issues this year.

The company is seeking to raise £13.3m by offering 19.1m new ordinary shares at 72p each on a 3-for-8 basis.

The proceeds are to be used to expand the group's construction programme to take advantage of the expected recovery in the UK housing market.

The company has been hit badly by the collapse of the housing market. In the six months to end-February it incurred a pre-tax loss of £6.4m. It expects to sell about 1,000 homes this year, compared with 1,571 in 1988-89 and 2,600 in 1987-88.

Its suffering has been compounded by large borrowings raised to fund expansion in earlier years. Mr John McCarthy, chairman, said that net debt as a proportion of shareholders funds would fall as a result of the issue from more than 90 per cent at the end of August 1990 to about 59 per cent. If £14.8m of convertible loan stock and finance leases of £12m are included as debt [illegible] will stand at about 85 per cent.

Mr McCarthy and his wife and Mr William Stone have decided, because of the size of the issue, to take up only 399,528 of their 3.28m entitlement. As a result, their combined stake will fall from 43.3 per cent to 31.9 per cent.

The rights issue is underwritten by County NatWest.

● COMMENT

McCarthy & Stone's share price since [illegible] 1988 has declined from 493p to 83p at yesterday's closing price – 6p down on the previous day. Shareholders who have stuck with the company thus far would appear to have little choice but to take up their rights. [illegible] year should be between £7m and £8m. The company is, however, approaching the bottom of the cycle and pre-tax profits could be about £1m next year before recovering further in 1993.

Macdonald Martin advances by 51%

By Michiyo Nakamoto

EFFORTS TO increase higher value-added products with better margins supported a 51 per cent rise in profits at Macdonald Martin Distilleries, producer of the best-selling Glenmorangie single malt whisky.

In the third consecutive year of improved results, taxable profits for the year ended March 31 climbed to £8.33m (£5.53m) as sales rose 21 per cent to £34.29m (£28.4m) despite the slump in consumer activity towards the year-end.

The group did not, however, escape the effects of declining consumer confidence in the face of the recession and the Gulf war, said Mr David Macdonald, chairman. Resilient trading in the first half was followed by a marked fall in consumer activity which had persisted throughout this year.

In the weaker trading environment the group's healthy profits increase was supported by efforts to shift to higher margin products. The premium brands it added to its product range last year enjoyed considerable success.

As a result, he said, the higher margin cased malt whisky now comprised 26 per cent of sales volume, compared with 21 per cent in the previous year. Meanwhile, cased blended whisky fell to 54 per cent, from 56 per cent, and bulk blend dropped to 20 per cent, from 23 per cent. Operating margin improved from 25 per cent to 28 per cent.

"We have also taken the pain of discontinuing businesses which are not good quality," Mr Neil McKerrow, managing director, stressed.

Earnings per share rose to 39.74p (26.34p) per A share and 19.87p (13.17p) per B share.

The final dividend is 6p making a total of 8p (6.4p) per A share and 3p for a total of 4p (3.2p) per B share.

● COMMENT

Three years of the kind of sparkling profits growth Martin Macdonald has enjoyed would be a hard act to follow for any company, even if it was not in the whisky business. Dependent as it is on a luxury product that faces duty increases, a relentless easing of consumer spending, and possible price pressures on the blended whisky side, Martin Macdonald stands little chance of repeating its recent successes, as it admits. The pain inflicted by the fall in discretionary spending, particularly by holiday travellers, will be aggravated by rising whisky stocks which is bound to hurt a company that is still over 70 per cent dependent on blended whisky sales. It has to be said that the group is doing well to prepare itself for the gloomier trading environment by building up its premium product range. It is also putting its house in even better order than before: interest is covered seven times rather than 4.6 times, dividend cover has also risen to nearer five times than the previous four times, and gearing has been reduced from 45 to 32 per cent. Nevertheless, the group accepts a slowdown in its rate of profit increase. While forecast pre-tax profits of up to about £10.5m give a prospective multiple of near 14 at a time when the group faces an uncertain year ahead, the premium brand does justify a premium rating.

Dunhill sharply up at £73.9m

IN SPITE of a downturn in sales, brought about by worldwide economic conditions, weaker currencies and the Gulf war, Dunhill Holdings, the luxury consumer goods group, turned in sharply higher profits for the 1990-91 year.

At the pre-tax level they surged from £60.61m to a record £73.86m, bolstered by improved efficiencies, productivity gains and a £6.6m rise in interest income to £18.7m.

The 22 per cent profits improvement for the year to March 31 was struck from turnover down almost £13m at £227.28m.

Results of Alfred Dunhill, the main luxury brand in the group, were described as very satisfactory, while Montblanc pens produced significantly higher profits on the back of increased sales, a better product mix and productivity gains at its Hamburg facilities. Chloé, the French clothing and perfume business, met profit targets in a difficult year.

After tax of £27.71m (£22.8m) earnings emerged at 27.3p (22.5p). A proposed final dividend of 4.4p makes a 7p (5.5p) total.

At the year-end the net cash position of the group had improved by £46.1m to £163.8m.

As previously announced, Lord Douro will take over as chairman from Mr Edmund Skepper at the annual meeting in July.

Rothmans International, the tobacco and luxury goods company, owns a controlling stake in Dunhill Holdings.

NEWS DIGEST

Eurocopy hit by bad publicity

FOLLOWING its warning that the current year's profits would be substantially lower, Eurocopy reported for the first half to March 31 [illegible] the pre-tax figure drop from £5.49m to £3.66m.

Mr Cyril Gay, chairman of this supplier of photocopying and fax equipment, said machine sales were affected in [illegible] and south-west England by damaging publicity and to a lesser extent, throughout the group, by the economic climate. Turnover fell from £24.02m to £19.27m.

The bad publicity followed allegations of malpractice by staff at Purdie & Kirkpatrick. Valid complaints were rectified at the group's expense.

Earnings per share fell to 5.01p (7.39p), but the interim dividend is again 1.1p.

Martin Currie net asset value at 86.4p

At the end of its first full year since obtaining a listing Martin Currie European Investment Trust announced an asset value per share of 86.4p basic and 88.7p diluted.

Net revenue for the 14-month period to April 30 totalled £308,000 for earnings per share of 1.34p. A single final dividend of 1.1p is recommended.

J Smart shows little change at £1.8m

A marginal increase in interim profits was reported by J Smart (Contractors), the Edinburgh-based building, civil engineering and property development group.

On turnover also little changed at £7.91m (£7.95m), the taxable outcome for the six months to January 31 amounted to £1.84m, up from £1.83m last time.

An interim dividend of 2.15p (1.95p) is payable from earnings of 12.04p (11.76p) per share.

Since the period-end a substantial portion of its investment portfolio has been sold. This will be treated as an exceptional credit of some £650,000 in the full-year figures.

ABI Leisure well behind at £1.15m

Lower sales volume and heavy discounting led to substantially reduced profits at ABI Leisure, the caravan maker.

For the six months ended February 28 1991 turnover fell from £33.38m to £25.54m, and pre-tax profit from £2.94m to £1.15m.

Earnings per share were 2.6p (8.3p) and the interim dividend is 1.57p.

Bett Brothers falls [illegible] to £513,000

Bett Brothers, the Dundee-based construction, property investment and leisure group, suffered a 66 per cent fall in pre-tax profits in the six months ended February 28.

On turnover ahead from £8.12m to £17.83m the taxable result came through at £513,000 compared with £1.5m.

Earnings per share fell from [illegible] to 2.26p but the interim dividend is maintained at 2.1p.

Exceptional boost for European Colour

European Colour, the chemical colour maker, reported taxable profits ahead by 76 per cent from £263,000 to £463,000 in the year to end-March.

However, £190,000 of the improvement came from a settled insurance claim treated as an exceptional item. Only [illegible] related to the second half and Mr John Finchett, chairman, said he was satisfied the main causes [illegible] addressed.

Turnover improved 14 per cent to £13.46m (£11.83m). Earnings per share emerged at 1.21p (1.12p). A final dividend of 0.4p is proposed for a total of 0.65p (0.6p).

ASIT has 44.97% of Lancs & London

Anglo Scandinavian Investment Trust said it owns or has received acceptances [illegible] per cent of Lancashire & London, the small companies investment trust for which it is making a £8.2m bid.

It began the bid with a 27.4 per cent stake, and has received acceptances in respect of a further 17.6 per cent. Its cash offer is roughly equivalent to Lancashire & London's current share price of 102p.

Scottish Investment asset value recovers

At April 30 1991 net asset value of Scottish Investment Trust was 198.5p, up from 163.5p six months earlier. The year before it stood at 189.7p.

Gross income in the half year rose to £9.74m [illegible] but [illegible] higher interest charges net revenue came to £3.97m (£4.31m) for earnings of 1.56p (1.7p). The interim dividend is raised to 1.5p (1.4p).

Grampian static after exceptional

Grampian Television, the Aberdeen-based radio and television company which also has property interests, achieved virtually static profits in the year to February 28.

On turnover slightly lower at £20.75m (£20.85m) the taxable result of £2.43m (£2.41m) was struck after the Exchequer Levy of £280,000 (£260,000) and early retirement and redundancy costs of £472,000, shown as an exceptional item.

A final dividend of 3.4p (2.8p) is proposed for a 4.1p (3.5p) total, payable from earnings of 10.83p (10.31p).

Last round decision sidelines founder

Maggie Urry reports on George Walker's loss of an executive role at Brent Walker

MR GEORGE Walker has always been a fighter. But yesterday he lost the final round, when the company which bears his name announced that he had ceased to be the group chief executive. He relinquished the chairmanship in January.

While Brent Walker continues its negotiations with the 47 banks to which it owes £1.3bn, Mr Walker no longer has any executive responsibilities. It is up to shareholders whether he stays on the board. His wife, Jean, remains as head of the hotels and leisure division.

Although he was not commenting yesterday, it was clear that Mr Walker would not have given up his position without a determined struggle. "His whole life was the company and the business," said a friend yesterday.

Even last week, when reporting a total loss of £255.9m for the company in 1990, Mr Walker looked cheerful and positively denied that any reduction in his role was planned.

The stock market, unmoved as ever by personal tragedies, kicked him as he fell by pushing the shares up 7p to 35p immediately on the news of his departure. They later weakened to close at 29p, 1p higher on the day.

Since Mr Walker had put all his and his family's money into the company's shares and convertible bonds, at least he may have the comfort that his investment rose in value. His stake, made up of ordinary and preference shares and convertible bonds, is still worth about £19m on paper.

The history of Brent Walker, the leisure group which for nine months has been fighting for its life under a mountain of debt, is inextricably linked with Mr Walker.

His story has often been characterised as that of the archetypal East End boy who left school with few qualifications but made good in business, despite a run-in with the law and after a youthful but brief career as a boxer.

The story concludes that although successful he was never accepted by "the establishment". Once the success faded there were plenty of people ready to run him down.

Some say that his reputation

> It was clear that Mr Walker would not have given up his position without a struggle. "His whole life was the company and the business," said a friend

for doing deals was based solely on buying businesses, not selling them again at a profit. Others add that while he was charming bankers by rattling off a string of figures to support a deal he was really misleading them through his over-optimism.

Some were, perhaps, frightened by his reputation and the fear that just under the surface the boxer still lurked.

Bankers were saying [redacted] day that Mr Walker's many qualities as an entrepreneur and the builder of Brent Walker did not suit him for the task of managing the business through the implementation of a rescue plan. His perception of the values of the assets did not square, they suggested, with reality in the present state of the property market.

His rise had many successes, but it was not without its [redacted]

His own light-heavyweight boxing career finished, he later managed [redacted] brother, Billy Walker, the "blond bomber". Together they went into business, opening a [redacted] of baked potato shops and leisure developments.

The brothers merged their company with Hackney & Hendon Greyhounds in 1974 and developed the highly-successful Brent Cross shopping centre in north London. The company's name was changed to Brent Walker. In 1982 Mr Walker took the company private at a price of £3.3m to avoid being taken over.

Two years later [redacted] Walker returned to the stock market with a market value of £33.7m. As deal after deal followed the business grew to a peak capitalisation of £255m in mid-1987.

The stock market crash that year and the subsequent recession was to expose the weaknesses of many high-flying companies of the 1980s.

Brent [redacted] problem was that it [redacted] heavily to finance acquisitions, only to find the value of the assets being acquired falling when the property market started to slump last year.

Gradually the banks, [redacted] earlier had been so ready to lend, [redacted] in, until last November Mr Walker was again fighting for his [redacted]ny's future. His determination saw the group through a [redacted] stop-gap refinancing with its banks which saved the business from receivership, at least temporarily.

As usual such thumbnail sketches do scant justice to the man. Bankers and businessmen who have been in negotiations with him describe as forceful and determined. Yet many have also come to regard him as a personal friend.

Mr Robin Power, head of Power Corporation, the Irish property group which jointly owns the Trocadero with Brent Walker, said yesterday that Mr Walker was a tough negotiator on any deal.

He has [redacted] since Power bought into the retail and leisure complex in London's Piccadilly over three years ago.

According to Mr Power, in negotiations [redacted] "pushes as hard as possible, but in the end the deal has something for both sides. Anything he says he will do he does."

Since the two companies have been partners Mr Power said he and Mr Walker had become good friends.

He added that Mr Walker, although now 62, had a considerable capacity for work. Even on holiday he has a fax machine in his bedroom. His style is "the exact opposite to the playboy image" of many top businessmen. Any spare time is spent with his family.

Despite his success Mr Walker "never forgets his roots" Mr Power said. He recalled attending events with him in support of the boys' boxing club in West Ham, a poor area in the east end of London, where George and Billy trained.

The strength of his many friendships was shown last November when he was able to recruit investors to a convertible bond issue which had been spurned by others. One was Mr Michael Smurfit, head of Jefferson Smurfit the Irish-based paper and packaging group, who personally and through his company put a total of £25m into the bond issue.

Although the bonds have halved in price, and investors were asked to allow the first interest payment to be postponed, Mr Walker could say last week that he and Mr Smurfit were "still friends".

As Mr Power said: "George put every penny he had into [redacted] bond issue. He put more money in than anybody else. He didn't ask anybody to do something he wouldn't." In the end Mr Walker put in not only his money, but also money from his family trusts, and he borrowed against assets such as his French vineyards in order to put a total of £29.5m into the £101.9m issue.

Mr Walker has described taking the company private in 1982 as his biggest mistake. He borrowed £2.75m to buy the business knowing that "if the company went down, we would be penniless".

Yet last November he invested heavily again knowing the risk was far greater this time round. His courage, at least, cannot be denied.

Tony Andrews

George Walker: put every penny he had into bond issue to save the company

Babcock Intl 10% higher at £46.7m

By Jane Fuller

BABCOCK International Group, the engineering contractor and manufacturer, increased pre-tax profits by nearly 10 per cent in the year to March 31, reflecting buoyant demand from the energy industries and strong cash management.

Taxable profit [redacted] from £42.52m to £46.66m [redacted] second year after the group's demerger from FKI. Turnover increased by 22 per cent to £760.65m (£624.33m).

Net cash stood at £89.25m (£87.34m) after a doubling of capital spending to £41m, including the £17.2m purchase of the Crawley office site. Gross interest income grew to £10.8m (£6.8m) and was assigned to the divisions which earned it.

Mr Erik Porter, finance director, said the biggest turnover increase, from £142.47m to £199.71m, had come in energy and manufacturing. Profit, however, was ahead only modestly at £15.5m (£15.2m).

The previous year's figure had been helped by higher margins on the final stages of some big contracts, whereas last year was the first full year of the five-year flue gas desulphurisation project at the Drax power stations.

Mr Oliver Whitehead, chief executive, said the division had also suffered from the termination of the Al Anbar power station contract in Iraq, which had led to 170 redundancies and £500,000 costs.

Construction and process plant contracting increased turnover by 23 per cent to £184.37m (£149.61m), while profit expanded 40 per cent to £10.48m (£7.5m). Facilities management, which includes joint management of the Rosyth Royal Dockyard with Thorn EMI, increased profit to £10.68m on turnover of £178.98m (£184.97m).

Overseas, the Africa division (95 per cent South Africa) contributed £10.16m (£6.93m) profit. Europe, which so far amounts to the Claudius Peters German subsidiary, made profits of £4.47m (£3.17m).

Earnings emerged at 6.56p (6.53p). A final dividend of 1.8p makes an unchanged 3p total.

● **COMMENT**

Mr Whitehead and Mr Porter, heads of the business under Lord King since 1989, are justifiably wearing down the scepticism that has surrounded Babcock. In spite of losing more than £200m of orders through [redacted] and the Gulf crisis, [redacted]gement has sold the [redacted] elsewhere and filled [redacted]. Attention to the commercial side of running contracts [redacted] confidence that the risks, notably at Drax, will be overcome. Erratic earnings from Rosyth at a time of defence cuts may be less easy to minimise, but again the impression is that any disappointment will be more than offset. Bearing in mind its haven in recession-resistant markets, such as oil and gas and pollution control, Babcock is one of the few engineering companies where forecasts are being upgraded. The range centres on about £50m pre-tax, giving a prospective p/e of 8.4 on yesterday's close of 57p. With a prospective yield of 7.25 per cent, it deserves better than a 30 per cent discount to the market.

Adopting new customs in Dublin

By Vanessa Houlder

Like a gash across the centre of Dublin's fair city, the Liffey and its waterfront lies drab and neglected, much of [illegible] life having drained away when the docks moved downstream.

But Dublin, like other European and US cities with derelict docklands, is intent on reversing the decay. At the same time, the government is trying to attract new industry to the area to reduce Ireland's persistent high unemployment.

Another step was taken on Tuesday when the Lord Mayor of Dublin drove the first pile into a IR£100m (£90m) office development at George's Quay. The scheme is the work of Irish Life, Ireland's [illegible] financial institution which will be privatised [illegible] summer.

The project should help bring [illegible] vibrancy, help reverse decentralisation and "keep the heart beating in the centre of Dublin," said [illegible] Lord Mayor, Michael Donnelly.

George's Quay, like [illegible] urban development corpora[illegible] in [illegible] UK, reflects the government's [illegible] tax incentives [illegible] new businesses [illegible] the [illegible] of [illegible] and [illegible] related activities. Just across the water is the flagship of the programme, the Custom House [illegible] project, which describes itself [illegible] "the largest single undertaking since the development of the State".

The Custom House Docks development, which is the work of a consortium comprising British Land, the UK company headed by Mr John Ritblat; Hardwicke, Ireland's [illegible] privately-owned devel[illegible] [illegible] McInerney, a housebuilder and civil engineering contractor, [illegible] 27 [illegible] adjacent [illegible] Custom House.

Its targets are strikingly ambitious: it aims to have 750,000 sq ft of office space, 250,000 sq ft of retail space and hotel, leisure and residential facilities. The first phase, which is the International Financial [illegible] Centre – a series of buildings specifically designed to attract financial companies – has already completed 450,000 sq ft of space.

The George's Quay goals are more modest. The first phase, which comprises 150,000 sq ft costing IR£30m, will be complete in Spring 1993. The rest of the development, which totals 500,000 sq ft, will be built according to demand. It hopes to harbour the professional services companies which will work in the IFSC.

If the two developments succeed, they will go a long way towards changing the map of Dublin; nearly one-sixth of all Dublin's modern offices will be within 150 yds of the Custom House. That will be a big shift away from the existing business centre, although the proximity of the site to the Dublin Area Rapid Transit station and the fact that the City centre is just a few minutes walk away makes access easier.

The ambitious nature of the IFSC and George's Quay projects have attracted controversy from the start. The tax breaks are generous – financial services companies pay little or no corporation tax or rates and will get 100 per cent capital allowances and double rent allowances for 10 years. Would the amount of tax forgone justify the number of jobs created, the sceptics wondered.

People also expressed doubts about Dublin's ability to compete in international financial services, given the intense competition, the widespread problems in the industry and the late start that Dublin suffered compared with other centres like Luxembourg.

IFSC has, for the moment, fended off criticism that it is a white elephant. About 160 Irish and foreign companies have signed up to take space in the centre. The first phase of 450,000 sq ft of the IFSC has been let, although some of the tenants are still trying to sublet surplus space. The IFSC's agents, Jones Lang Wootton are now looking for tenants for the next phase of 120,000 sq ft, which will start in October.

Rival developers have also criticised the schemes, feeling that the government is giving too many projects an unfair tax break advantage. Three developers are testing the validity of the designation of the George's Quay site for tax concessions in a High Court case that will be heard in July.

The legal challenge to the George's Quay site is one more twist in the tortuous history of the scheme, which has been nearly 20 years in the making.

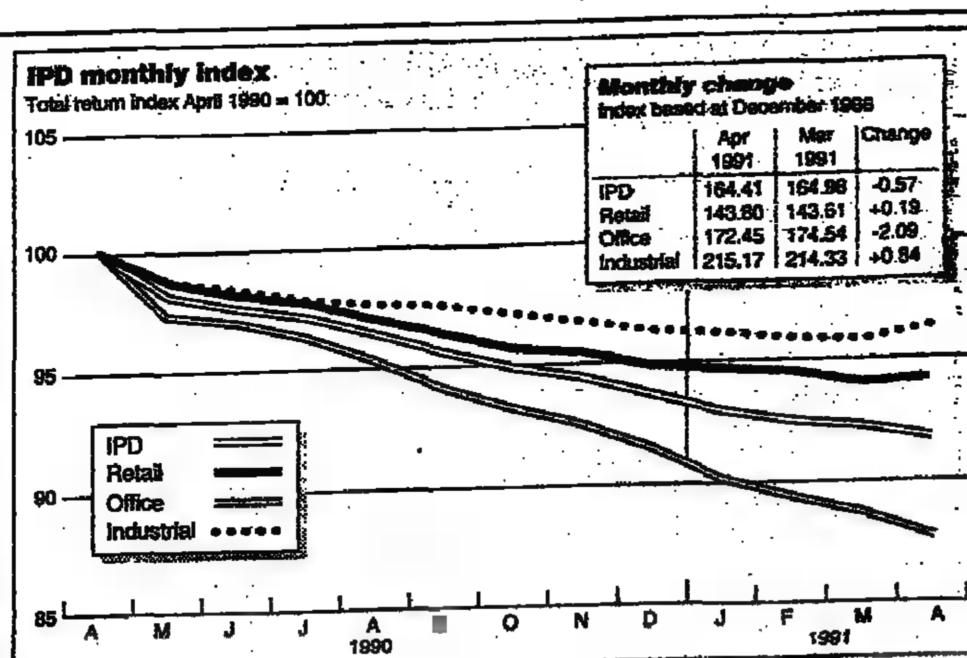
The first half of this period was taken up assembling the site and getting planning permission. The delay in the project in the second half of the 1980s can be blamed on the lacklustre state of the Irish property market – for which, by and large, you can read the Dublin property market. It was severely depressed for most of the 1980s. After a decade of extravagant public spending, Ireland's finances were in such disarray by 1986 that the country embarked on a programme of deep cuts in public expenditure, wage restraint and severe deflation. The result was an impressive recovery, with a reduction in inflation from 18.2 per cent to 2.6 per cent in the course of the 1980s.

As the economy started to look up, so too did the property market. In 1989, the Jones Land Wootton Property Index showed an overall increase in returns of 31 per cent, the highest in 10 years. Investment rose from about IR£40m for most the 1980s to more than IR£300m in 1989 and 1990.

Improved conditions spurred on development. In October [illegible] British Land together with Power Corporation, Ireland's best-known property company, built a IR£50m shopping centre at St Stephen's Green in Dublin's main shopping centre. About 500,000 sq ft of office space was completed in 1990 and 1991, excluding the Custom House Docks project.

The two years of boom ended in the autumn last year, when the Gulf crisis and international recession eroded the confidence of tenants. The result is oversupply, which together with higher interest rates and bond yields is pushing up property yields.

Nonetheless, Ireland's property market problems are less severe than the UK's. Property accounts for just 2.8 per cent of bank lending and the market did not become overheated during the boom years by widespread overseas buying. As a result, the Irish property market probably has more in common with its relatively robust Continental counterparts than the UK.



Monthly change
Index based at December 1986

	Apr 1991	Mar 1991	Change
IPD	164.41	164.98	-0.57
Retail	143.80	143.61	+0.19
Office	172.45	174.54	-2.09
Industrial	215.17	214.33	+0.84

Pressure on yields lessens

THE investment property market has moved firmly into the second phase of its deepest recession since 1974, according to the Investment Property Databank, a research body.

The pressure on yields, which marked the first phase of the downturn, began to lessen in March and April as yields converged on those prevailing in the gilts markets.

Yet over the same period there has been consistent downward pressure on rental growth, as stock surpluses and falling occupier demand have translated into rent agreements in the letting market.

Annualised rental value growth has fallen to 1.6 per cent. Capital growth now stands at -14.0 per cent and total return at -8.1 per cent.

Monthly returns for the retail sector were the best this year. Yields moved out but total return was positive at 0.1 per cent. Rental value growth was zero for the second straight month, making it the only sector not to see a decline in rental growth in April.

The office sector continued to be pulled down by oversupply problems, generating capital growth of -1.8 per cent and a total return of -1.2 per cent for the month. Rental value growth fell by a further 0.6 per cent and is negative at an annualised -0.1 per cent.

The industrial sector produced the best monthly returns, although on an annualised basis, the gap between industrials and retails is narrowing. The slight fall in yield was offset to some extent by the first decrease this year in its rental value growth. Its total return was 0.4 per cent.

Vanessa Houlder

Nissan catalyst plan shakes up platinum market

By Richard Mooney and Kevin Done

YESTERDAY'S FALL in platinum prices, following the announcement by Nissan, the Japanese car maker, of [illegible] plans to equip some of its cars [illegible] non-platinum catalytic converters to clean exhaust fumes, was undeniably sharp; but in the circumstances it might regarded [illegible] somewhat muted.

The $27.35 fall in the London bullion market price took it to $365.75 a troy ounce, the lowest for five years, but it was markedly smaller than the $52.50 fall that followed a similar announcement in December 1988 by the Ford Motor Company of the US.

Part of the reason for the more modest response this time was the relatively low level the platinum price was already trading at and the narrow premium of about $27 an ounce it had over gold. When Ford made its announcement platinum's price was $579.50 an ounce, $163.25 above gold's.

The other factor restricting the price fall was scepticism about the real significance of the Nissan plan. Analysts' doubts about the likelihood of a wholesale switch to palladium were reflected in the fact that that metals price rose only $4.75 to $98.75

Mr Gordon Thorburn, executive director of Johnson Matthey, the world's largest supplier of autocatalysts, said yesterday that the Nissan announcement did not herald a big change in autocatalyst design.

Palladium catalysts were already in limited use in Japan, where lower [illegible] of lead and sulphur in petrol made such use possible.

The Nissan announcement indicated that the palladium catalysts would chiefly be used with specially designed engines chiefly in small cars in Japan, he said. "The palladium catalysts are unlikely to be of much use outside Japan except in combination with platinum and rhodium catalysts."

Exhaust emissions standards were being tightened in the US and in Europe, which would mean a further increase in demand for platinum and rhodium.

Ford's announcement at the end of 1988 that it had developed a catalytic converter without the use of platinum had also caused turmoil in the platinum market, but [illegible] had been "no wholesale shift in Ford's autocatalyst demands", said Mr Thorburn. It was still testing its palladium catalysts in California.

According to Johnson Matthey demand for platinum for autocatalysts rose to 1.52m ounces last [illegible] out [illegible] world platinum demand of 3.66m ounces. Demand for platinum for autocatalysts totalled 690,000 ounces in North America, 395,000 in Japan and 365,000 in western Europe.

Canadian group to develop Chilean mine

By Leslie Crawford in Santiago

PLACER DOME, the Canadian gold mining group, plans to invest over $350m to develop a low-grade copper mine in northern Chile in partnership with the [illegible] smelting company Enami.

Enami, [illegible] tendered the Andacollo deposit near the port of Coquimbo, chose Placer Dome over a group of small local miners who are currently exploiting the [illegible]. This has caused a considerable amount of resentment in the mining town. Placer Dome will pay Enami $1.2m for the right to develop and operate the mine and Enami will collect one-fifth of future earnings. The Canadian [illegible]'s proposal calls for an investment of $350m to $400m to build a flotation plant which would produce [illegible] tonnes of copper concentrates a year.

Andacollo [illegible] proven [illegible] of 250m tonnes, enough to keep the mine productive for 16 years. The 0.64 per cent ore grade is low when compared to the rich deposits at La Escondida, which contain 2.8 per cent copper. But Andacollo is still richer than Canadian and US copper [illegible], which are working with ore grades of less than 0.5 per cent.

Placer Dome will first carry out a feasibility study to iron out technical and engineering details. This is expected to be completed within a year. Mr Walter Espinoza, Placer Dome's general manager in Chile, believes the mine could start production in 1994.

The Canadian company has [illegible] $300m in Chile to develop the La Coipa gold project. La Coipa is expected to begin full-scale operations in July, producing 200,000 troy ounces of gold a year, as well as silver and mer[illegible].

Mexican oil reforms still have a long way to go

Damian Fraser studies the limited improvements achieved at Pemex, the giant state monopoly

THERE WAS a time was when Pemex, Mexico's giant state oil monopoly, could reasonably claim to be the world's most inefficient company. It employed far too many people, and paid them far too much; It invested where it should not have (schools, hospitals, and even too much in petrochemicals), and not enough where it should have (exploration, production and refineries); it was so dependent on government finances that in some years it was given too much money (in the late [illegible]) and in others not enough (in the 1980s).

In the past two years, however, Pemex now claims that it has changed. The power of the unions has been drastically reduced and the new management says that it has divided the company into profit and cost centres, thereby introducing some sorely needed market discipline. Foreign investment and technology is slowly but surely [illegible] and the [illegible] have now been restructured.

Important as these reforms are, they do not go far enough. The management [illegible] still says that the company has no obligation to maximise profits. The restrictions on foreign investment are still enormous; the stranglehold of the government on its finances is as great [illegible]. Performance is still woefully inadequate; with almost double the reserves of the US Pemex produces a third of its output. In 1989 its assets were 30 [illegible] greater than [illegible] state oil company, but it invested less in exploration. A senior minister recently conceded privately that Pemex was the most unproductive sector in the Mexican economy.

The cost of the inefficiency is hard to exaggerate. Pemex's revenue last year was $18bn, which was 13 [illegible] Mexico's GDP.

[illegible] made in the past two years [illegible] certainly boosted Pemex's productivity and output. At the outbreak of the Gulf War Pemex was able to boost production from 2.5m barrels a day to 2.65m b/d, and this year has maintained the level of production. The Cassandra-like projections that Pemex would, on then current trends, be a net oil importer by the end of the decade are now rejected by those who originally made them.

The "new" Pemex, argues Petroleum Intelligence Weekly in a recent report on the company, traces back to the arrest of the union leader Joaquin Hernandez-Galicia in January 1989, and the subsequent curtailment of union power. Since 1988 the Pemex labour force has shrunk from 213,000 to under 150,000. [illegible] contracts, which used to go the union, now go up for competitive bidding [illegible] to PIW, Pemex has [illegible] 16 per cent from [illegible] operating costs since [illegible], saving it $1bn. That amounts to roughly half its annual investment budget in the 1980s.

The cut in costs has been aided by the introduction of cost-accounting. Pemex is vertically integrated, providing [illegible] ships, ports, pipelines, petrols, and petrochemicals. [illegible] a result most division's transactions are within Pemex. The trouble used to be that the [illegible] pricing [illegible] was, as [illegible] it, a "complete mess".

[illegible] too has [illegible] changed – although [illegible] not known by how much. McKinsey & Company, the management consultancy, [illegible] a comprehensive study [illegible] Pemex's transfer pricing, which, [illegible] Mr Marcos, is now being fully implemented. Pemex has been divided up into five profit and cost centres – exploration and production, basic petrochemicals, distribution, transport and retail. The accounting price for trade between centres, says Mr Marcos, is determined by a formula linked to international prices.

In line with this new rationalisation Pemex has given up the costly attempt to achieve self-sufficiency in every [illegible] product. Under [illegible] petrol products are sold at the highest possible price, and the level of imports and exports will adjust accordingly.

Mr Marcos himself, [illegible] finance director, has successfully reformed Pemex's finances. At the end of 1982 Pemex had over $20bn of foreign debt. With the help of the Mexican government this has now been restructured to $5.6bn, and [illegible] company [illegible] now in accord with its credi[illegible].

In the next five years Pemex hopes to invest $20bn. Of this $8bn will financed abroad. The company has already made five bond [illegible] eight-year absence from the international capital markets, raising over $500m. It will borrow $5.6bn from the US Eximbank in the next five years; the remaining [illegible] will come from "structured financing" (securitised bonds) says Mr Marcos.

[illegible] deal [illegible] Eximbak has [illegible] to the final and most controversial change in Pemex in the past two years – the use of foreign oil companies in exploration and drilling. Under Mexico's 1917 constitution ownership [illegible] oil is reserved to the state; under the regulations governing the relevant article Pemex is given exclusive rights of exploring, developing, refining and so on.

The Eximbank loan requires the money to be spent largely [illegible] US companies. As a result Pemex has [illegible] that service contracts (where, unlike risk contracts, payments do not vary with the oil find) will be [illegible] with US companies. Already the US company Triton has been commissioned [illegible] drill in the Gulf [illegible] Campeche. [illegible] least five other service contracts with US companies will be announced shortly.

All this is well and good – but it falls far short of what is needed or could be done, even within Mexico's restrictive constitution. For example Pemex has already allowed foreign companies to finance the building of petrochemical plants, if they agreed [illegible] paid back with the plant's product. But Mr Marcos has ruled out the extension of so-called built-lease transfer financing for exploration or production.

Similarly Pemex has ruled out so-called "packaged service [illegible]" where foreign oil companies bid to supply a combination of services on oil fields, such as seismic testing, exploration and development. As Mr Marcos says "I do not think we will get into [illegible] contracts. . . we are not willing to share [illegible] decisions".

But such obstin[illegible]y will scare away many of [illegible] world's most efficient oil developers, whose technology (especially in deep sea areas) Pemex needs. As Mr Rafael Quijano, a former high-level employee of Pemex and now at the Petroleum Finance Corporation, says, "by packaging some of [illegible] together [illegible] get [illegible] technical and financial advantages, and managerial skills that come with large infrastructure projects".

More fundamentally the current reforms do not address the basic conflict in Pemex. [illegible] one level Pemex suffers from excessive state control; the oil company still has to come begging from the federal government each year to seek a new bud[illegible] government still [illegible] prices. [illegible] Mr Rojas, Pemex's chairman, said last November "Pemex has had the hard task of functioning [illegible] integrated oil company and an [illegible]strument of the government's economic policy".

Thus, for example, at the beginning [illegible] this [illegible] the newspaper El Economista carried a report [illegible] had been instructed to postpone investments to the end of this year so as to help the government in its anti-inflation programme. Mr George Baker, a US academic and constructive critic of Pemex argues that "to say that long-run planning does not extend beyond a year is to say that planning exists in name only".

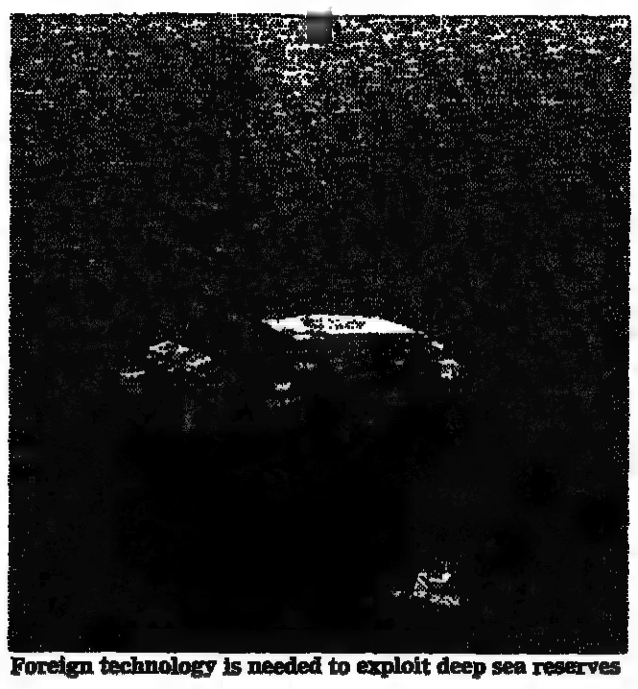
At another level Pemex is still largely a law into itself; if the government gave it more independence it would probably abuse it. Pemex still stubbornly tries to be self-sufficient in some areas where it is glaringly ineffi[illegible] example it continues to invest in petrochemicals [illegible] the money would be much better spent on refineries and production.

The company still does [illegible] resemble a commercial organisation. While the management claims it is now broken up into [illegible] and profit centres, the annual report gives no indication of which parts of it are profitable and which unprofitable; instead it produces [illegible] crudely simplified aggregated balance sheet. One minister admits that the new profit and cost centres are not running as smoothly as Pemex claims.

This is difficult to verify as anything but the most basic information [illegible] Pemex is impossible to come by. And much of what the company releases (such as that it has 65.5bn barrels of oil equivalent in proven reserves) is scarcely credible.

Mr Baker, the US academic, provides a shopping list of pos[illegible] reforms of Pemex, from the mundane (changing accounting rules) to, by Mexican standards, [illegible] (breaking up [illegible] company). The president has his own list, which is believed [illegible] incl[illegible] further privatisation of petrochemicals, greater accounting discipline, and tighter scrutiny by the ministry of [illegible] and mines.

Sadly Pemex is (misguidedly) [illegible] as a symbol [illegible] national sovereignty. Even if the government wanted to implement them, political objections would make radical reforms impossible.



Foreign technology is needed to exploit deep sea reserves

Lower ore grades lift Inco's costs

By Robert Gibbens in [illegible]

DECLINING ORE grades, combined with higher power rates and wages, explain Inco's worrying record of unit production costs over [illegible] past five [illegible], says Dr Michael [illegible], the company's president.

Inco had to shut down its high-grade Garson mine at Sudbury, Ontario, in 1987 after a series of rockburst accidents, and it was replaced with lower-grade [illegible] from Thompson, Manitoba, he told institution analysts in Toronto.

Also several of Inco's mines, such as the 67-year-old Frood-Stobie, have only three or four year's life left and mining the remaining reserves is less efficient.

He said the thrust of Inco's capital spending, budgeted at US$450m a year over the next five years, is to raise average grade, lower unit costs and expand total output. Garson will go back into production by 1995 using safer technology. Lower Coleman and McCreedy East, [illegible] in [illegible], [illegible] in production in 1991 and 1993 respectively. Garson [illegible] McCreedy East have 20-year lives and Inco expects the latter will be its most productive mine at Sudbury.

In Manitoba [illegible] being expanded and Thompson 1-D is due on stream in 1992.

All these high-grade nickel-copper projects are now under way, and Inco is investing heavily in more efficient extraction and processing. In the past month P.T. International Nickel Indonesia has been producing at levels nearly 50 per cent up from a year [illegible]lier.

Dr Sopko said 64 per cent of western nickel went into stain[illegible] steel, and Asia now accounted for 34 per cent of western consumption. Inco's market share is about 32 per cent.

Settlement clears way for copper mine

By Robert Gibbens

An OUT-of-court settlement may lead to development of another big copper-gold property in British Columbia.

The potential of the Fish Lake [illegible] near Kamloops could rival Mt Milligan in the north west, acquired last year by Placer Dome for C$258m. There Placer plans an open pit mine with annual output of 280,000 ounces of gold and 80m pounds of copper. A full feasibility report is due this summer.

Fish Lake has estimated reserves of [illegible]m tonnes grading an average 0.24 per cent copper, 0.015 [illegible] gold and [illegible] ounces [illegible] a tonne. However work has been stalled by a six-year dispute [illegible] Taseko Mines, the owner, and Cominco.

The mining and metals giant, under a 1979 option, would earn an 80 per cent stake in the property by bringing [illegible] to production. Taseko argued this option lapsed because Cominco did not move to production and sued to have the option nullified.

Cominco replied successfully that the project was not economic, and Taseko finally lost an appeal in 1990.

Early this [illegible] control [illegible] Taseko [illegible] acquired by Vancouver [illegible]ologist Mr Robert Hunter and Mr Robert [illegible]son, who proved up Mt Milligan and sold it to Placer. [illegible] they have made peace with Cominco on Fish Lake, giving Taseko effective control for 3 years.

[illegible] Taseko [illegible] find [illegible] buyer willing to develop new [illegible] by 1994, ownership [illegible] to Cominco [illegible] Taseko retaining [illegible] 20 per cent interest in any future earnings.

Mining analysts [illegible] Fish Lake in southern British Columbia directly with Mt Milligan, based on drilling results.

[illegible] COMMODITIES PRICES

MARKET REPORT

COCOA FUTURES put in a strong performance yesterday afternoon with almost all positions ending the day with gains of more than [illegible]0 a tonne. "It's [illegible] technical – we knocked out [illegible] chart-points, resulting in stop-loss buying and short-covering," one trader explained. "We've seen possibly some sales from Ghana and certainly from the Ivory Coast." Nickel prices also put in a strong late run after an early fall failed to breach support at $8,100 a tonne. At its closing level of $8,142.50 a tonne the three months price on the London Metal Exchange was unchanged on the day. LME tin prices ended a quiet session at the day's high as the market began to discount Wednesday's news that Brazil's wildcat or garimpeiro miners had temporarily won the right to resume operations, [illegible]. They suggested [illegible] overhead target was now pegged at $5,700 a tonne for three [illegible] metal, $17.50 above last night's close. At the London bullion market gold ended slightly lower, with operators reluctant to take fresh positions until the platinum situation stabilises. Dealers light Middle East buying helped the metal recover from an early setback. Silver prices also shed some of the gains made earlier in the week.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	[illegible]	-.025
Brent Blend (dated)	[illegible]	
Brent Blend (Jul)	$19.25-9.30	
W.T.I. (1 pm est)	$21.15-1.20u	+.085
Oil products (NWE prompt delivery per tonne CIF)		+ or -
[illegible] Gasoline	$240-251	+2

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Aug	[illegible]	170.60	173.00 169.80
Oct	[illegible]	[illegible]	171.40 169.00
[illegible]	[illegible]	[illegible]	170.00
Mar	171.20	[illegible]	172.00 171.00
May	174.40		[illegible] 174.60
[illegible]	[illegible]	[illegible]	177.40
Oct	178.80	179.60	178.00
White	Close	Previous	High/Low

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
May	628		630 588
Jul	629	606	630 [illegible]
[illegible]	636	624	657 [illegible]
Dec	694	682	[illegible]
Mar	725	695	725 700
[illegible]	[illegible]	[illegible]	746 721
Jul	769	761	769 746

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 17,604 lots	
Cash	1254-5	1247-9		1249-50		
[illegible]	[illegible]	1279-80	[illegible]	1280-1	1286-8	66,374 lots
Copper, Grade [illegible] ([illegible] per tonne)					Total daily turnover 39,086 lots	
Cash	1262-4	1263-5	1247	1247-8		
[illegible]	[illegible]	1262.5-3.0	[illegible]	1263.5-4.5	[illegible]	121,303 lots

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	[illegible]	High/Low	
Jul	21.16	[illegible]	[illegible]	[illegible]
[illegible]	21.23	21.15	21.27	21.08
[illegible]	[illegible]	[illegible]	21.39	21.24
[illegible]	21.42	21.30	21.45	[illegible]
Dec	21.49	21.35	[illegible]	[illegible]
Jan	21.38	21.27	[illegible]	21.30
[illegible]	21.22	21.20	[illegible]	21.22

New York

Chicago

[illegible] 5,000 bu min; cents/60lb bushel				
	[illegible]	[illegible]	High/Low	
Jul	[illegible]	574/0	[illegible]	571/4
Aug	580/6	[illegible]	[illegible]	574/4

[illegible]

LONDON STOCK EXCHANGE

Footsie Index backs away from 2,500

WITH THE *National Institute* of Economic and Social Research supporting market predictions that the *economic* recession will prove longer and deeper in the UK than elsewhere, the London stock market backed away yesterday from challenging the FT-SE 2,500 testing level. After moving erratically during the trading session, the Footsie closed down 1.7 at 2,4[illegible] on unimpressive trading volume.

The fall in the Footsie ignored a firm start to the new session on Wall Street, and might have been larger but for a firm performance by several *leading components of the* index. ICI rose strongly in late dealings after th[illegible] board hinted to City analysts that news of a possible restructuring in the face of the recent Hanson moves may be pending. British

Account Dealing Dates		
*First Dealings:		
May 20	Jun 3	Jun 17
Option Declarations:		
May 30	Jun 13	Jun 27
Last Dealings:		
May 31	Jun 14	Jun 28
Account Day:		
Jun 10	Jun 24	Jul 8

*New-time dealings may take place from 9.30 am two business days earlier.

Gas performed well after announcing significantly higher profits.

These bullish developments were offset by sharp falls elsewhere. Reuters, the global business information services supplier, fell as news of *increased competition in the* US Treasury bond market heightened tensions ahead of a company meeting yesterday with a London securities house. And the building construction sector was unsettled yet *again after* reports that [illegible] UK brokerage house had dow[illegible] graded RMC.

These *factors tended* to balance out in the marketplace and the Footsie Index edged up by 2.3 at first in response to Wall Street's 10.7 Dow points gain overnight, but quickly slipped to a net 8.8 loss. Shares then steadied but the rest of the day passed without incident, or even interest, until Wall Street's firm opening steadied prices in the London market.

The final reading put the FT-SE Index at 2,491.2 for a loss on the day of 1.7 points. The *failure* to challenge the Footsie 2,500 level – the nearest the market came yesterday was 2,495.2 – tended to confirm the prevailing market view that, with economic recession still looming and further interest rate cuts apparently distant, London lacks upward impetus at present.

Seaq-reported volume of 430.8m against the 439.2m of the previous session remained unexciting. Seaq daily totals take in both intra-market and customer business; Stock Exchange data shows that customer business has remained poor, at £587.2m on Tuesday, and £802.2m on Friday of last week, both short of the £1bn plus totals recorded earlier this year. Traders pointed out that interest continued to focus around the blue chip stocks, and that even there it was the special situations that produced the activity.

Last week's half-point cut in base rates, "though welcome", has had little effect on the stock market, according to Kleinwort Benson Securities. The firm said that last week's economic news, including the sharp fall in car sales, will *cause concern for investors.* It believes that Mr Norman Lamont, chancellor of the exchequer, will only cut base rates by 1 per cent or so between now and the end of September. UBS Phillips & Drew takes a similarly doubtful approach to near-term prospects, but rejects any "extreme view". The market has gone too far, too fast, said P & D, and by June next year there could be a "very different world".

Next week will bring significant economic data both for the US and the UK. On this side of the Atlantic, market attention will focus on the April *cyclical economic indicators* due on Monday and the May official reserves, scheduled for Tuesday.

FINANCIAL TIMES STOCK INDICES

[illegible]

GILT EDGED ACTIVITY

	May 29	May 28
Indices*		
Gilt Edged Bargains	86.5	82.0
5 – Day average	87.5	89.0

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

Dividend increase helps Gas

THE MARKET shrugged aside the outrage over suggested excessive profitability and gave a rousing reception to British Gas's preliminary results. These featured a 19 per cent rise in the dividend and were accompanied by a confident statement.

The shares moved to within striking *distance* of their high for the year – 261p – and closed a net 6 up at 250½p, having touched 253p at one point. Turnover reached 16m, easily the highest yesterday of the *Footsie stocks.*

Mr Philip Lambert of Kleinwort Benson said the stock was "undoubtedly one of the cheapest in the market", and that the outlook for the group was "extremely healthy; the clouds appear only when politicians start pretending they can manage the company".

Mr Jeremy Hudson at Lehman Bros said he was "very positive on the shares", which on his dividend estimates would produce an average yield of around 8½ per cent in the period up to May 1993. Hoare Govett, which pencilled in a current year profits forecast of £1.4bn and *is looking* for a dividend of 14.5p, highlighted the reduction in the *earnings/dividend payout ratio* from 75 per cent to 53 per cent which, it said, gives Gas "scope to fulfil the promise of real dividend growth".

Reuters fall

A sell order for Reuters and a newspaper article on rival electronic brokerage services set off a flurry of negative stories on the stock.

Traders heard initially that there had been downgradings from Cazenove and Hoare Govett, *although evidence* mounted during the session that neither had changed its view *yesterday. There* were also reports that the launch of Globex, Reuters' futures trading service, had been delayed, but the company said there had been no recent changes in plans for Globex.

Even the sell order and the press report were described by more level-headed traders as having been used as an excuse to mark the shares lower. The share price has risen strongly in recent days and some securities houses were short of stock.

Reuters is a volatile issue which also trades in significant amounts and so attracts the attention of a large number of professional traders keen to see the price change. Yesterday the price was down 29 at *one point before ending* at 846p for a net decline of 21. Turnover was a solid 1.5m.

Bass resilient

Bass stood out among mostly weaker brewery leaders as the market took the view that the company was about to sell 269 public houses.

Trade press reports this week said Bass was preparing a £50m to £70m disposal of pubs, and yesterday Greenall Whitley raised £55m through a debenture stock issue. *Greenall* said the proceeds "will be used for general corporate purposes and, *initially, will be applied* in the repayment of short-term uncommitted debt", but analysts recalled that earlier this year Greenall said it intended to buy more pubs. Bass rose 8 to 980p in modest turnover.

Sentiment in Bass was also helped by a change of heart on the company from BZW. The securities house has been ambivalent on Bass stock since 1989 when the Monopolies and Mergers Commission recommended that no brewer should own more than 2,000 pubs. Yesterday BZW revised its recommendation to a buy and was optimistic on the brewing sector as a whole.

The change comes in response to a more pessimistic stance on *economic* recession from BZW strategists – earlier this year investors preferred *cyclical sectors, rather than* the traditionally defensive brewers, on hopes that a recovery was in sight.

A sharp fall in the platinum price hurt Lonrho, Johnson Matthey and Charter Consolidated. Platinum closed yesterday in London at $365.75 an ounce, down from Wednesday's close of $393.1, after overnight news that Japanese car maker Nissan had developed a catalytic converter based on another metal, palladium. Lonrho lost 9 to 285p as a busy 6m shares changed hands. Johnson Matthey fell 13½ to 289p and Charter Consolidated declined 8 to 459p.

ICI, in which acquisitive conglomerate Hanson has taken a 2.8 per cent stake, staged a late rally. Appetites were whetted by meetings between the company and analysts yesterday and on Wednesday. Traders also blamed sterling weakness against the dollar for US investors' reluctance to sell the stock. The shares climbed 32, mostly in the last hour of trading, to end at 1286p.

Thorn EMI recovered more than Wednesday's decline, closing 15 [illegible] at 711p with turnover reaching 2.2m. Ms Tressan McCarthy of Panmure Gordon remained a strong bull of the shares which, she said, would respond to break-up/bid *speculation* and a return to earnings growth. The Panmure analyst put a break-up valuation of 985p on Thorn and said a takeover valuation would be far higher.

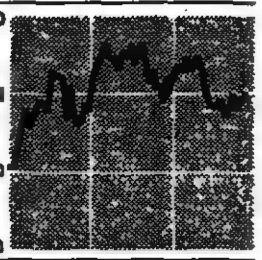
Prudential Group gave a sparkling performance in an otherwise subdued life sector, the stock closing 6¼ higher at 231½p on heavy turnover of 8.8m shares after a strong recommendation from Smith New Court.

McCarthy & Stone, the sheltered homes builder, were marked down 6 to 88p as the group became the latest in a long line of building companies to tap the equity market *for* cash. McCarthy is raising £13.3m via a rights issue to *expand its construction programme.*

The heavy end of the building sector, badly hit recently by a series of profit warnings, took more punishment after analysts continued to cut their forecasts. Tarmac was in the firing line yesterday, and fell to 221p before steadying to close 7 off at 224p.

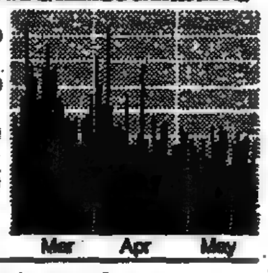
Croda International remained at 165p, although several deals of more than a million shares were effected late. They boosted total turnover to 5.5m shares.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Babcock International impressed traders by reporting a 10 per cent increase in annual profits to £46.7m. The figures showed it had weathered both the loss of Middle East orders, through the Gulf war, and the UK recession. Babcock shares rose 2¼ to 57p.

Wagon Industrial, another engineering company, fell progressively and eventually *established a trading level.* Albert E. Sharp, the Midlands broking house, then placed a *large line of stock*, part of which had been overhanging the market for some while, with institutional investors. The stock nevertheless closed 18 down at 380p. Wagon is due to report annual results on June 26.

Meggitt responded further to the cha[illegible]ptimism at the annual [illegible] He said that both sales and orders during the first quarter were ahead of 1990, and the shares improved 2 more to 87p.

Scholl, the personal and foot care products group, slipped 6 to 201p after calling on shareholders for £24.5m.

Institutional buying boosted Body Shop – due to report full year results on June 4 – by 9 to 265p. Optimism ahead of results expected shortly pushed Unigate up 8 to 277p.

Asda, which has been the subject of persistent bid speculation, continued to rise on strong turnover of 4m shares. The stock closed 2 up at 117p. Securities house Nomura said it had been a buyer "on the basis that we are not among the pessimists".

Shoprite, the Isle of Man *retailer, rose sharply when a* potential investor tried to buy a large line of shares in what is always a very thin market. The stock gained 19 to 269p. The share price has more than doubled *since* January as a result of the company's expansion into Scotland.

BP put on 6 to 330p on good turnover of 5.1m, responding to switching out of Shell, a strong performer recently. Shell, 2 off at 505p on 2.9m, was also said to have been unsettled by the explosion at its oil refinery in Marseilles.

Eurocopy, the independent photocopier distributor and office equipment supplier, hovered around the 1991 low yesterday after revealing a sharp fall in interim profits. The company blamed damaging publicity and, to a lesser extent, the prevailing economic *climate* for the profits setback.

Several other office equipment stocks weakened behind the Eurocopy announcement. Gestetner encountered sporadic offerings and closed 5 easier at 174p. Black Arrow lost a similar amount to 27p.

Abtrust Preferred Income Investment Trust issues staged a successful debut. The ordinary shares, placed at 100p, rose to 106p while the zero preference stock moved up to 104¾p, compared with the placement price of 102p.

Green Property dropped 20 to 70p after the company said it had suspended a development project.

[illegible] market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 30.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (73).
AMERICANS (3) Bowater Inc., General Host, PHH, CANADIANS (5) Amer. Barrick Res., BC Gas, Bk. Nova Scotia, Can. Imp. Bk., Tor-Dom Bk., BANKS (6) Commerzbank, Dai Ichi, Fuji, HSBC, Secure Tst., BREWERS (3) Guinness, Seagram, CHEMICALS (3) Bayer, Cambridge Isotope, Schering, STORES (7) Dewhirst, In Shops, Jacques Vert, OS, Reject Shop, Ritz Design, Smith (WH), ELECTRICALS (4) Domino Printing, Elect. Data Processing, Farnell, Volex, ENGINEERING (2) Prospect Inds., Rotork, FOODS (2) Assoc. Brit. Foods, Nthn. Foods, HOTELS (1) Harmony Leis., INDUSTRIALS (10) Alfa-Laval B, Astra B, Carbo, Daimler-Benz, ISA, Intercare, Le Creuset, Portmeirion Potts., Ramco Oil, Scot Pickford, INSURANCE (1) Skandia, LEISURE (1) Intl. Resort, PAPERS (2) Jarvis Porter, Waverley Cameron, TEXTILES (1) Caldwell Invs., TRANSPORT (1) CSX, TRUSTS (12) Archimedes, City of Oxford Zero Prf., [illegible] Rsdg., Latin Amer., Do. Wrrnts., M & G [illegible] Mid Wynd, New Throgmorton [illegible] Cap. 2.5pc Cnv. 2000, River & Merc. [illegible], Second Alliance, TR Tech. Zero [illegible] (1) LASMO 8½pc Prf., Norsk Hydro, MINES (15) Doornfontein, East Daggs., Hartebeest, Kinross, Libanon, Nor-Quest Res., Northern Plat., Precious Metals Aust., Western Areas, Western Deep.
NEW LOWS (31).
BANKS (1) Guinness Mahon, BREWERS (1) [illegible] SYSTEM, [illegible], Dickie (J), INDUSTRIALS (8) African Lakes, Black Arrow, Gestetner, Hay (N), Worthington (AJ), LEISURE (5) Anglia TV, Brent Walker 9pc Prf., Swanyard, TVS Ents., TV-am, MOTORS (1) Maleys, NEWSPAPERS (1) Gardner (DC), PROPERTY [illegible] Hanover Druce, Peel, [illegible] Prf., OILS (3) Aran Energy, Clyde [illegible] Cons., MINES (3) Eglington Expl., [illegible] Pan, Plateau.

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system [illegible]

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVE markets lost their lead to the underlying index as willing sellers met disinterested buyers in the futures market and a lull *between two option expiry* days caused a certain amount of lifelessness in the LTOM.

On Liffe, the June FT-SE future contract, which is expected to trade around 9 points higher than the underlying index, lost its buoyancy. It spent much of the day languishing at parity with the index and holding it down. It even slipped, briefly, to a slight discount.

Shortly before the end of trading, a large buy in the *American S&P futures helped* the June contract back up to 2,498, its closing price of the previous day and only just below its estimated premium.

The September FT-SE future saw minimal business but, shortly after the close, 700 contracts went through the APT, the market's after-hours' screen-based trading system, as one broker sold the June contract to buy September.

In the traded options market, Wednesday's expiry of *equity options and today's* expiry of the FT-SE options left yesterday relatively motiveless. The FT-SE option, which expires today and might have expected business as traders closed down their positions, saw only 3,448 lots dealt. British Gas was the top performing equity option.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Changing posts at Legal & General

Mr John Elbourne *(pictured)* has become group director (UK *operations*) at LEGAL & GENERAL. He will be responsible for UK life and pensions, financial *services and general insurance.* Mr John Craddock moves from director (agency) to UK sales director *(life and pensions).* Mr Chris Hairs becomes actuary UK, redefining his role as director (finance and actuary). Mr Andrew Palmer, director (finance and operations) in Legal & General Investments, has been appointed to the new post of director, finance (life and pensions). Mr Michael Kinder moves from director (financial consultancy) to director (agency sales).

Mr Chris Hatry continues as director (unit investments) transferring from Legal & General Investments to life and pensions headquarters, Kingswood. Mr Ian Geale, finance director (life and pensions), [illegible] director (sales, finance and administration). Mr John Wren becomes manager (sales personnel) moving from personnel manager (life and pensions). The appointments take effect from June 1.

■ SWINTON INSURANCE has appointed Mr Richard Sherrard as personnel director and Mr Chris Oliver as IT director.

■ BABCOCK FULTON PREBON, *moneybroking* subsidiary of Babcock Prebon, has appointed Mr E.G.M. Suer as an executive director. He was with Amsterdam Rotterdam Bank.

■ Mr David Richings has been appointed assistant general manager of NATIONAL WESTMINSTER BANK's group strategy and communications. He was head of planning, information and control of NatWest's UK financial *services.*

■ AMALGAMATED METAL *CORPORATION has appointed* Mr Harold Sher, currently group managing director, as *chief executive from January* 1 1992. He succeeds Mr Graham Lock who, in accordance with an *agreement with Preussag,* will retire at the end of the year. Dr Guenther Sassmannhausen, chairman, has retired, *and* has been succeeded by Dr Michael Frenzel, a member of the executive board of Preussag.

■ Mr Murray Stuart and Mr Peter Butler of Berisford have replaced Mr Henry Lewis and Mr Roger Begy as Berisford's non-executive representatives on HUNTER SAPHIR's board. Mr Joseph Saphir, the founder of the company, is to retire at the annual meeting and Mr Bill Young, another non-executive, is also retiring.

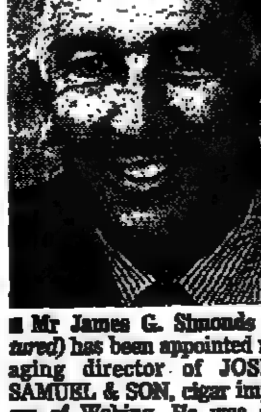
■ MID KENT HOLDINGS has appointed Dr Geoffrey Baldwin *as a director from June 17.* He will join as managing director designate, taking over from Mr Brian Coleman on August 8. Sir Frederick Corfield has decided not to seek re-election as a director.

■ Following the acquisition of DAKS SIMPSON by San East (UK), a subsidiary of Sankyo Seiko Co, the board has approved the appointment of the following additional directors: Mr Hideo Miki, Mr Yasukazu Saito, Mr Hirokuni Uenoyama, Mr Takanobu Okura, and Mr Satoshi Itoh.

■ Mr Kit Molloy, formerly managing director of MIL Research, has been appointed managing director of MAI UK MARKET RESEARCH. Mr *Malcolm Sugar*, formerly finance director of MIL Research Group, has been appointed finance director.

Mr John Burton, *Ms Phyllis* Macfarlane, Mr Ivor Stocker, and Mr Adrian Wimbush are joining the board. Mr John Barter retires as chairman but remains as a non-executive director, particularly associated with operations in social and political research. He is succeeded as chairman by Mr William Nabarro.

■ Mr Bob Morton has been appointed a non-executive director of TACE, Windsor.



■ Mr James G. Simonds *(pictured)* has been appointed managing director of JOSEPH SAMUEL & SON, cigar importers of Woking. He was sales director, and succeeds Mr Walter A.H. Kahn who has retired but remains on the board as a non-executive director. Mr Simonds also becomes chairman and managing director of the group's main subsidiaries - C.S. Wine Racks, and Jennifer Ulisse.

LONDON SHARE SERVICE

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AMERICANS

1991 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30¼	20⅞	Abbott Laboratories‡	29¼	.....	$1.00	–	2.0
363p	257p	♦Allegheny & W 1c	334p	+12	30c	–	5.3
980p	667p	Amdahl 5c	943pd	+26	10c	–	0.6
37⅞	25¼	Amer. Cyanamid $5	37½	.....	$1.50	–	2.4
17⅞	9⅝	Amer. Express 60c	13¼xd	.....	92c	–	4.1
22⅞	15¼	American T. & T. $1	28⅝xd	.....	$1.32	–	3.8
38⅞	32½	Ameritech $1	34¼	+½	$3.16	–	5.5
23¼	12⅞	BankAmerica $1⅝	22⅞xd	.....	$1.20	–	3.2
29⅞	20⅞	Bankers N.Y. $1	28⅝xd	.....	$1.52	–	10.2
29¾	24¼	Bell Atlantic $1	26¾xd	+⅛	$2.36	–	5.2
31¼	25	BellSouth Corp.	28¼	+½	$2.68	–	5.6
8⅞	6⅞	♦Bethlehem Steel $8	8⅛xd	.....	40c	–	2.8
1638p	1046p	Bowater Inc.	1638p	+63	$1.20	–	4.3
8⅛	4½	Brunswick 75c	7¼xd	.....	44c	–	3.4
52¼	37⅞	CPC Intnl. 25c	58⅞xd	.....	$2.00	–	2.4
852p	420p	California Engy	748p	+4	–	–	–
50	28¼	Campbell Soup 15c	46½xd	.....	$1.16	–	1.5
11½	5⅞	Chase Manhattan $12½	10⅞xd	.....	$1.20	–	6.8
8⅞	9½	Chrysler $6¼	7⅞xd	.....	60c	–	4.9
9⅞	5⅞	Chicorp $1	8⅞xd	.....	$1.00	–	6.6
24¼	21⅞	Colgate-Palmolive $1	22⅞xd	.....	$1.06	–	2.7
830p	438p	Cont'l Bank Corp $4	761p	+1	$1.00	–	7.8
19¼	13⅞	Dana Corp. $1	18¼xd	.....	$1.60	–	5.0
1056p	203p	Data General	993p	−3	–	–	–
20¼	12⅞	Dial Crop. $1.5	28⅞xd	.....	$1.40	–	4.1
29	20⅞	Dun & Bradstreet $1	27⅞	+¼	$2.16	–	4.6
35⅞	24¼	Eaton Corpn 50c	32¼	+1¼	$2.20	–	–
7½	5½	Echlin Inc.	6⅞xd	.....	70c	–	6.2
18⅞	14⅞	FPL Group 1c	18¼xd	.....	$2.40	–	7.8
28⅞	17⅞	Fluor Corp 62½c	27¼xd	.....	32c	–	0.7
19⅞	13¼	Ford Motor $1	18⅞xd	.....	$1.60	–	3.1
43⅞	28⅞	Gen. Elect. 63c	42⅝	.....	$2.04	–	2.9
496p	270p	♦General Host Corp $1	484p	+13	34c	–	4.1
45¼	21¼	Gillette $1	21¼xd	.....	62c	–	1.7
91p	35p	Gt American Bank $1	36p	−7	–	–	–
		For Greyhound Dial Corp. see Dial Corp.					
17½	794p	Hasbro Inc 50c	17½	.....	24c	–	[illegible]
36½	21¼	Honeywell $1½	32¾xd	.....	$1.50	–	[illegible]
22⅞	17⅞	Houston Inds.‡	21¼	.....	$2.96	–	[illegible]
72⅞	55⅞	IBM Corpn $1¼	60¼xd	.....	$4.84	–	[illegible]
28¼	18⅞	Ingersoll-Rand $2	26⅞xd	.....	$1.32	–	[illegible]
26¼	16⅞	Lockheed Crpn. $1	24½xd	+⅛	$1.80	–	[illegible]
24⅞	18⅞	Louisiana Land 15c	20⅞	.....	$1.00	–	[illegible]
2000p	1245p	Lowe's 50c	1863p	+36	52c	–	[illegible]
16⅞	9¼	Manuf. Hanover $1	13⅞xd	.....	$3.28	–	13.9
24⅞	10⅞	Merrill Lynch $1	21⅞xd	.....	$1.00	–	2.7
18⅞	11½	Molex Inc.	15⅞	.....	4c	–	0.1
31½	21⅞	Morgan (JP) $2½	30⅞xd	.....	$1.98	–	3.9
40⅞	25⅞	Morris (Philip)	38⅞xd	.....	$1.72	–	2.6
43¼	39	NYNEX $1	40⅞	+⅛	$4.56	–	6.7
89p	31p	♦Pac. Agricultural	31p	.....	–	–	–
21⅞	11⅞	Pall Corp. 25c	21⅞	+⅛	44c	–	[illegible]
44¼	33¼	Pennzoil 83 1/3c	38¼xd	.....	$3.00	–	[illegible]
34½	24⅞	Quaker Oats $5	32⅞xd	.....	$1.56	–	[illegible]
36⅞	24⅞	Rep NY Corpn $5	33¼xd	.....	$1.40	–	[illegible]
16⅞	12⅞	Rockwell Intl. $1	15xd	.....	86c	–	[illegible]
23⅞	12⅞	Sears, Roebuck 75c	22⅞xd	.....	$2.00	–	[illegible]
32	25⅞	Southwestern Bell $1	28⅞xd	+¼	$2.84	–	[illegible]
20¼	14⅞	Sun Co. Inc. $1	18⅞xd	.....	$1.80	–	[illegible]
26⅞	21¼	Tenneco $5	24⅞xd	.....	$3.20	–	[illegible]
40½	29⅞	Texaco $6.25	36⅞xd	.....	$3.20	–	[illegible]
26¼	17¼	Texas Instr. $1	21⅞xd	.....	72c	–	2.0
71½	41⅞	Time Warner $1	65⅞xd	.....	$1.00	–	0.9
14⅞	8⅞	TRINOVA Corp	12⅞xd	.....	68c	–	3.1
19⅞	14¼	USX $1	19⅞xd	.....	$1.40	–	4.3
390p	250p	♦Uslilab	378p	.....	–	–	–
27½	22⅞	Utd. Technologies	25⅞xd	.....	$1.80	–	4.2
71p	42p	♦Utilitech Inc.	71p	.....	–	–	–
23	18¼	US West‡	20⅞	+⅛	$2.08	–	5.9
23⅞	16⅞	Waste Management $1	22⅞xd	.....	44c	–	1.2
1925p	1053p	♦Whirlpool $1	1892p	+101	$1.10	–	3.4
19¼	13½	♦Woolworth $3½	17¼	.....	$1.08	–	3.7

CANADIANS

1991 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
10p	8½p	♦Abbot Energy Corp.	10p	.....	–	–	–
1184p	953p	♦Amer. Barrick Res.	1184p	+14	8c	–	0.3
19¼	13	Bk. Montreal‡	18⅝	−⅛	$2.12	–	5.8
898p	536p	Bk. Nova Scot.‡	898pd	+23	$1.00	–	5.7
773p	639p	♦BC Gas $7	773p	+10	60c	–	4.0
21⅞	17¼	BCE‡	21⅞	+⅛	$2.56	–	6.1
1013p	647p	♦Brascan‡	992p	−2	$1.04	–	5.3
36p	19½p	♦Breakwater Res.	[illegible]	.....	10c	–	18.2
1649p	1180p	Can.Imp Bank‡	1649p	+30	$1.32	–	4.1
10⅞	856p	Can. Pacific‡	967p	+11	92c	–	4.8
36	30	Do. 4pc Deb £100	35xd	.....	04%	–	13.2
335p	170p	♦Central Cap 'A'‡	[illegible]	+4	60c	–	11.8
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

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LEISURE

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
492	155	Airtours 10p	448		8.25	3.1	2.5	17.3
108	71½	Allied Leis. 5p	99		F4.75	3.5	6.4	7.0
246	178	Anglia TV	178	–2	9.28	2.4	6.9	8.1
31	16	Avesco 1p	20		1.5	3.9	10.0	2.8
9	4½	BBCE Hldgs 5p	5½		–	–	–	–
178	123	Barr & W.A.T. 'A'	163		9.75	1.6	8.0	10.5
685	425	Boosey & Hawkes	655		16.4	2.7	3.3	13.1
43	24	Border T.V.	42		2.1	1.1	6.7	18.8
28	25	Brent Walker 10p	29	+1	5.0	–	23.0	–
28	6	Do 6pc Cr Cn Rd Pf £1	8		6.0	–	–	–
55	43	Buckingham Int'l. 10p	52		2.1	1.8	5.4	12.1
393	183	Caspari Int. 20p	300		11.0	2.9	4.9	8.2
200	134	Capital Radio 2½p	185	–4	5.25	2.9	3.8	12.0
583	390	Carlton Comms 5p	449		†14.1	2.4	4.2	12.4
80	62	Do. 6.5p Prf 5p	72		6.5	–	12.0	–
253	168	Castle Comms. 5p	235		8.5	1.7	4.9	15.6
653	480	Central ITV	643	+5	28.5	ф	6.1	ф
158	120	Chiltern Radio 10p	151		4.8	2.6	4.2	11.6
85	39	Chrysalis	81		2.0	–	3.3	–
49	36	Citywision 5p	43½	+1½	1.0	7.0	3.1	5.8
6	3	Classic Th'trs	3		–	–	–	–
468	361	Compass Group 5p	437	–1	†10.35	2.8	3.3	14.4
1240	908	Euro Disney Fr10	1298	+2	–	–	–	–
30	13	European Leis. 25p	15	–2	1.7	2.2	15.1	2.5
85	22	Ex Lands 10p	47		–	–	–	–
47	21½	Expedier 20p	35	–2	1.0	2.7	3.9	9.4
563	403	Fairline Boats 10p	523		21.0	4.1	5.4	6.0
276	188	First Leisure	255	–2	5.05	2.6	2.6	17.3
253	195	GWR Group 20p	234		16.0	3.2	‡	12.2
75	62	Grampian TVA 10p	65	+3	3.5	2.9	7.2	6.3
8	6	Greenwich Comm. 1p	7		–	–	–	–
63	35	HTV Ord	35		3.75	1.2	14.3	8.1
145	55	Hi-Tec Sports	135		5.0	ф	4.9	ф
4½	3	Int'l Media Comm. 1p	3½		–	–	–	–
56	30	Intl. Resort Hldgs	56	+1	†3.2	2.5	‡	4.8
75	49	Mentmore Sound 10p	65		1.0	4.2	2.1	20.4
47	32½	Kunick 10p	35½		2.0	2.2	7.5	8.5
88	53	Do. 8¼pc Pf. 5p	78	–2	8.25	–	14.1	–

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	450	......	
Finlay Pkg. 5p	27	......	
Holt (Jos) 25p	1820	......	
Halton Hldgs	48	......	
IRG	145	......	
United Drug	155	......	

IRISH

Cap. 8¾% Ln. 1991	£99¼	......
9pc Cap Ln. 1996	£98¾	......
Fin. 13% 97/02	£115	......
Arnotts	160½	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Aster (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	30
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd.	39
ICI	80
Ladbroke	22
Legal & Gen.	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk.	18
Nat West Bk.	27
P & O Dfd.	52
Racal Elect.	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl.	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	68
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Ariva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	16
Gaelic Res.	1
Premier	5
Shell	41
Teskar Res.	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Aberforth Unit Trust Managers Ltd (1600)F

Abtrust Unit Trust Managers Ltd (1200)H

Acorn Unit Trust Managers Ltd (1200)F

Aegis Unit Tst Mngmt Ltd (1200)F

AIB Unit Trusts Ltd (1600)F

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F

Britannia Life Unit Managers Ltd (1200)F

Commercial Union Tst Mgrs - Contd.

Confederation Funds Mngt Ltd (1200)F

GA Unit Trust Mngrs Ltd (1000)H
4 Melville Crescent, Edinburgh 031 2203946

GT Unit Managers Ltd (1200)H

Kleinwort Benson Unit Trusts (1400)F
10 Fenchurch Street, London EC3

Marks & Spencer Unit Trust Ltd (1200)F

Marlborough Fund Managers Ltd (1630)F

Martin Currie Unit Trusts Ltd (0905)H

Murray Johnstone UT Mngmt (1000)H

NFU Mutual Unit Mngrs Ltd (1400)F

NM Unit Trust Mngrs (1200)H

N.M. Rothschild Fund Mngmt—Contd.

Royal Life Fd Mgmt Ltd (1000)F

NW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

NW Joint Investors	0	1022.7	1022.7	1054.1	.....	4.74

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 031 226 6066

Maldon General	0	116.0	116.0	119.1	.....	4.89

ManuLife Management Ltd (1200)H
St George's Way, Stevenage Dealings: 071-256 5858

Growth Units	5¼	131.9	131.9	140.3	.....	4.03
Gilt & Fxd Int	5	141.8	141.8	149.2	-0.10	8.63
Intl Growth	5¼	149.5	150.2	160.4	+1.70	0.40
North American	5¼	96.98	98.32	104.6	+2.00	0.31
Far East	5¼	119.3	120.2	127.9	+1.90	0.33
UK Smaller Cos	5¼	108.3	111.6	118.7	-0.50	2.94
European	5¼	54.41	54.41	58.04	+0.19	1.19
Japanese Growth	5¼	37.82	37.82	40.50	+0.52	0.00
Managed P'folio	5¼	48.70	49.06	52.19	+0.24	1.70
High Income	5¼	148.6	150.5	160.1	-0.10	6.10
High Yielding Gilt	5¼	60.97	60.97	64.26	-0.40	9.57
Cash		50.76	50.76	50.76	+0.02	12.30

* Compound Annual Rate

Morgan Grenfell Unit Tst Mgrs Ltd (1800)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

American Gwth	5¼	149.4	149.4	160.9	+2.6	0.94
European Gwth	5¼	198.8	198.8	212.3	+3.6	0.00
Intl Gwth	5¼	145.5	145.5	154.7	+0.9	0.00
UK Equity Inc	5¼	115.3	115.3	124.3	-0.2	4.51
UK Equity Acc	5¼	129.9	129.9	140.0	-0.2	4.51
UK Ind Tracker Inc	5	120.0	120.0	128.1	-0.2	3.92
UK Ind Tracker Acc	5	128.2	128.2	136.9	-0.2	3.92
US Eq Ind Tracker Inc	5	141.4	141.4	151.6	+1.7	2.95
US Eq Ind Tracker Acc	5	146.0	146.0	156.5	+1.8	2.95
Japan Tracker	5	64.31	64.31	68.20	+1.10	0.00
Asian Trader	5¼	85.39	85.39	91.27	+1.98	1.44
Managed Inc	5¼	98.77	98.77	106.2	+0.7	2.01
Managed Acc	5¼	100.0	100.0	107.5	+0.7	2.01
Cash Inc	0	100.57	100.57	100.57	+0.03	11.27
Cash Acc	0	108.18	108.18	108.18	+0.03	11.27
Europa	5¼	104.8	104.8	112.2	+0.2	0.00

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

Exempt Unit Tst	4	117.79	117.79	125.57	+0.43	2.60
Exempt Smllr Cos	3¼	228.43	228.43	247.52	-0.77	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1500)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	294.0	294.0	314.1	+2.4	1.37
(Accum Units) ♥	5	343.9	343.9	367.4	+2.8	1.37
British ♦	5	790.6	790.6	836.4	+1.7	5.75
(Accum Units) ♦	5	1265.7	1265.7	1339.0	+2.7	5.75
European ♦	5	333.3	333.9	356.4	+1.2	2.49
(Accum Units) ♦	5	357.2	357.2	381.6	+1.3	2.49
Japan ♦	5	119.7	119.7	127.3	+2.5	–
(Accum Units) ♦	5	120.6	120.6	128.3	+2.5	–
New Pacific ♦	5	169.0	169.0	179.6	+2.4	2.11
(Accum Units) ♦	5	170.3	170.3	181.0	+2.4	2.11
PEP	5	132.1	134.6	142.5	.....	3.54
Mngd Equity	5	119.4	121.1	128.2	.....	3.64
Mngd Equity Acc	5	125.5	128.3	136.4	.....	3.64
Mngd Cash ♦	3	96.75	96.75	101.5	.....	11.71
(Accum Units)	5	112.1	112.1	117.6	.....	11.72
Mngd Fixed Int Acc	5	118.5	118.5	125.4	.....	6.66
Majority Stlg	1	100.68	100.68	101.68	+0.02	11.16
Majority Stlg Acc	1	103.49	103.49	104.52	+0.02	11.16

Stonebanal Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International May 15	0	49.98	49.98	50.38	.....	3.43

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity ♦	6	597.1	[illegible]	636.5	+8.4	3.45
North America	6	[illegible]	[illegible]	82.46	+1.27	1.02
Far East	6	[illegible]	[illegible]	101.3	+0.2	0.88
W'wide Bond	6	[illegible]	[illegible]	48.72	+0.36	6.11
W'wide Financial	6	[illegible]	[illegible]	37.59	+0.36	3.12
W'wide Technology	6	[illegible]	[illegible]	44.53	+0.32	0.42
European	6	[illegible]	[illegible]	72.44	+0.31	1.23
Equity Income	6	[illegible]	[illegible]	76.11	+0.90	5.31
Portfolio	6	[illegible]	[illegible]	62.05	+0.35	2.96

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke 0800 525725

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	[illegible]	[illegible]	[illegible]	+0.31	0.50
Managed Assets	6	[illegible]	[illegible]	[illegible]	-0.08	4.33
UK Income	6	33.5	[illegible]	[illegible]	-0.07	4.80
UK Growth	6	32.5	[illegible]	[illegible]	-0.07	3.50
Worldwide Growth	6	[illegible]	[illegible]	[illegible]	+0.26	2.20

Sun Life Trust Mngmt Ltd (1500)H
101, Cannon St, London EC4N 5AD
Admin & Enq: 071-606 4044 071-406 6010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Portfolio	5¼	33.0	[illegible]	[illegible]	+0.31	1.89
Amer Growth Acc	5¼	44.4	[illegible]	[illegible]	+0.85	0.49

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American May 29	352.4	356.6	+2.5	1.60
Managed May 29	139.6	144.6	-1.3	3.97
Japan May 30	118.4	121.7	-0.01	0.08
Sm Jap Cos May 31	975.9	991.7	+5.0	0.08

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens P'folio	129.3	133.8	+0.30	3.79

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£463.84	470.77	+4.5	1.69
Gen Exempt	£129.70	132.69	+0.88	3.77
Jap Exempt	£489.121	492.48	+4.49	0.86
Pacific Exempt	£97.35	99.58	-0.17	2.39
Contl Euro Exempt	£98.89	100.87	+0.37	2.07
Indexed Exempt May 23	£126.07	129.21	+0.89	5.04
Amer Indxd Ext May 23	£102.21	103.24	+1.38	2.90
Japan Indxd Ext May 23	£65.96	67.19	-0.09	0.63
Euro Indxd Ext May 23	£97.66	99.63	+1.57	2.80
P'sic Indxd Ext May 23	£99.1	101.28	0.79	2.19

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital May 22	490.86	494.47xd	.....	2.48
Gross May 22	188.97	190.50	.....	9.71
High Yield May 22	295.65	298.03	.....	6.95

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Mngd	51.39	52.97xd	+0.10	3.69

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1185.0	1277.0	.....	–
Mngd Pens (Acc)	67.6	72.1	.....	–

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jan 3	£2360.0	2675.0	.....	6.08
Inc Glt Prp Apr 16	£1525.0	1460.0	.....	7.20

Lazard Investors Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's May 30	£3640.3	3809.9	.....	4.38
European May 30	£543.3	549.1	.....	2.20
American May 30	£541.9	543.6	.....	2.09
Far Eastern May 30	£548.5	558.0	.....	1.17
Australian May 30	£134.6	138.9	.....	3.53
Gilt... May 15	£43.6	45.6	.....	3.28

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass Co

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Prosper Group

Scottish Amicable

Scottish Equitable Life Assur. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Tunbridge Wells Equitable

Templeton Life Assurance Limited

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albion Intl Assurance (Bermuda) Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Finance International Ltd

Fleming Life Assurance Co Ltd

Hansard International Ltd

Premium Life (International) Ltd

Target International Group

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

Atticus Investment Services Ltd

James Campbell Financial Services

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Gilt Unit Trust Ltd

Gartmore Fund Managers Ltd

IFS Limited PLC

Independent Financial Group PLC

Knight Williams & Company Ltd

Marchant & Bowie F.S. Ltd

Northern Bingo & Partners

Sheys (Albert E) & Co.

Charles Stanley & Co Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fund Mangt (Guernsey) Ltd

Albany International Assurance Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Managers (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mangmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Investment Mangmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Arab Bank Fund Managers (Guernsey) Ltd

Barings International Fund Managers

Credit Suisse Asset Mangmt (Guernsey) Ltd

Dartmouth Management (Guernsey) Ltd

Fleming Fund Mngrs (Guernsey) Ltd

Hambros Fund Managers

Henderson Admin. (Guernsey)

Bill Samuel Fd. Mngrs. (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Sanyo International (Guernsey) Ltd

Schroder Investment Mangmt (Guernsey) Ltd

Stonehage Fund Mngrs Ltd

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	Bid Price	Offer Price	+ or -	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$762.25		----	-
Fixed Income Shares	$885.83		----	-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mega Growth	$10.73		----	-
Yamaichi ISS Fund	$7.96		+0.06	-
Yamaichi CB Plus Fund	$9.48		+0.03	-
Thai Inv Fund	$10.68		+0.05	-

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gross
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin						010 353 1760 630
GAM Universal US Dlr Acc		$-	110.40		----	-
GAM Universal US Dlr Inc		$-	110.40		----	-
GAM Universal DM Acc		DM-	118.26		----	-
GAM Universal DM Inc		DM-	108.26		----	-
MI-Global Asset Mangmt Co Ltd "MI Trusts"						
MI Global Dollar		$-	0.99	1.06	----	-

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Bank of Ireland Unit Managers Ltd				
Global Scan	$9.82	10.11	----	-
European Bond	[illegible]	[illegible]	----	-
Investor Portfolio				
Equity America	$11.19	12.18	----	-
Equity Europe	$9.25	9.81	----	-
Bond America	$10.57	11.01	----	-
Bond Europe	$9.29	9.86	----	-
Bond Japan	$9.91	10.51	----	-
World Inv Trust	$10.56	11.20	----	-
Opportunity Europe	$10.92	11.58	----	-

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs—Contd.						
International Currency Fund						
Sterling Managed	3½	26.25	26.25	27.76	+0.07	-
US Dollar Managed	5½	29.54	29.54	31.26	-0.04	-
Sterling	0	24.98	24.98	24.98	----	11.25
US Dollar	0	37.96	37.96	37.96	----	4.72
Deutschmark	0	60.02	60.02	60.02	+0.01	7.95
Japanese Yen	0	4,848	4,848	4,848	+1	5.99
Swiss Franc	0	46.72	46.72	46.72	+0.01	6.61
Irish Punts	0	22.18	22.18	22.18	+0.01	6.47
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey						0534 73114
Jersey Gilt Co	3½	0.1685	0.1685	0.1776	----	9.29
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey						0534 27561
Lloyds Tst. Gilt	2½	9.381	9.397	9.643	-0.001	11.29
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey						0534 606000
Intl Credit Portfolio	5	101.75	101.75	107.91	+0.09	1.63
Gilt	3	92.25	92.25	95.13	+0.05	10.51
For MIM see INVESCO MIM						
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey						0534 78077
Govt Secs Fd	4	56.00	56.00	58.30	-0.01	9.57
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey						0534 73494
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	103.20	103.20	106.29	+0.03	11.08
Gilt & Fixed Interest	3	101.91	101.91	104.95	-0.09	11.13
Blue Chip & Cnt Equit	5	48.80	48.80	52.01	+0.02	5.58
International Bond	5	110.45	110.45	116.01	+1.49	7.52
UK Equity	5	109.19	109.19	118.81	-0.01	1.62
International Equity	5	107.99	107.99	115.07	+0.69	0.43
Far Eastern	5	98.74	98.74	105.82	+0.73	0.00
European	5	87.64	87.64	92.74	+0.27	0.42
Pan American	5	117.14	117.14	124.41	+1.74	0.79
TSB Gilt Fund Ltd						
Quarterly Share	3	96.74	96.74	99.79	----	10.72
Monthly Share	3	95.58	95.58	98.59	+0.03	10.05

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Henderson Management SA (u)						
21-25 Allee Scheffer L-2520 Luxembourg						071-638 5757 or 010-352 462232
Henderson Horizon Fund						
Japanese Portfolio		$-	11.72	12.38	+0.04	-
Japan Smllr Cos P'flio		$-	26.90	28.41	+0.15	-
Pacific Portfolio		$-	13.18	13.92	+0.06	-
Nth American P'folio		$-	5.37	5.68	-	-
European Portfolio		$-	7.07	7.48	-0.06	-
UK Portfolio		$-	5.97	6.33	-0.04	-
Global Portfolio		$-	9.42	9.95	-0.01	-
Fixed Int. Portfolio		$-	9.06	9.51	----	-

	Bid Price	Offer Price	+ or -	Yield Gross
CB Fund International (u)				
CB Fd Int.	$16.75		----	-
CM Investment Serial Funds				
Global Grwth NAV	$10.37		----	-
Capel-Cure Myers Intnl Fd Sicav (u)				
Sterling Thinkers Bond	£9.57	9.88	----	-
Sterling Thinkers Growth	£10.72	11.30	+0.05	-
US$ Thinkers Bond	$10.12	10.45		-
US$ Thinkers Growth	$11.19	11.81	-0.01	-
Cadmafor (u)				
US Pacific Stock Fund (u)				
NAV	$16.46		----	-
Unibank SA, Frontrunner 1 (u)				
Equities 92	Ecu76.07		----	-
Global Bonds	DKr116.62		----	-
Global Bonds	DM112.08		----	-
Sterling Fund	£122.15		----	-
Scandinavian Bond	DM111.19		----	-
Danish Bonds	DKr111.59		----	-
Unico Financial Services SA Lux				
DG Investment Bank Ltd				
GT Management Plc				
GT Applied Science	$10.40		+0.71	-
GT ASEAN Fd	$48.78		+0.21	0.57
GT Asia Fd	$19.29		+0.17	-
GT Asia Sterling	£16.90		+0.25	0.06
GT Australia Fd	$24.79		-0.10	1.01
GT Amer Small Co	$10.67			-
GT Berry Japan Fd	$20.92		+0.26	0.82
GT Berry Jap Stlg	£18.58		+0.27	0.40
GT Biotech Hlth Fd	$18.46		+0.70	-
GT Bond Fund	$17.26		+0.09	6.95
GT Deutschland Fd	$12.49		+0.06	-
GT Dollar Fd.	$20.91		+0.07	0.75
Morgan Stanley Japanese Warrant Fund NV				
NAV	$10.4304		----	-
The New Zealand Fund				
Manager: Lazard Offshore Ltd				
The NZ Fund	$6.10	6.53	----	-
Newport International Management				
Npt. Intl. Securities	$41.59		----	-
Npt. Intl. Inc. Fd.	$20.26		----	-
Npt. Pacific	$28.90		----	-
Nomura Warrant Fund 1990 Ltd				
NAV	$3.00		----	-

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
The Thai Prime Fund Limited				
NAV May 24	$26.41		----	-
The Thailand Fund				
NAV May 30 Baht 913,038.76 IDR value US$35,400.44				
The Thailand Growth Fund				
NAV US$16.02 May 24				
The Thailand Intl Fund Ltd				
Fidelity International Ltd				
NAV May 24	$20.59		----	-
T. Rowe Price Associates, Inc				
TRP Frntr Ltd NAV Apr 30	$10.47		----	-
Thornton Investment Management Ltd				
Eastern Crusader	$9.15	9.6075	-0.01	-
Global Access Fd.	$9.73	10.2165	+0.05	-
Hong Kong Gateway Fd	$16.48	17.2515	+0.29	-
Intl Opps Fund	$1.75	1.84	+0.01	-
Kabuto-Cho Fund	$7.60	7.9800	-0.02	-
Little Dragons Fund	$21.87	22.9635	+0.02	-
Philippine Redeml Fd	$24.21	25.4205	----	-
Tiger Fund	$31.14	32.6970	+0.05	-
Japan Fund	$30.84	32.3820	+0.13	-
Oriental Inc Fund	$22.12	23.2260	+0.09	-
Pacific Inv Fd SA £	£9.52	10.00	-0.01	-
Pacific Inv Fd SA DM	DM28.13	-	-0.04	-
Pacific Inv Fd Wrts £	£4.52	-	-0.01	-
Pacific Inv Fd Wrts DM	DM13.36	-	-0.04	-
Jakarta Cap NAV May 17	$14.21		----	-
New Tiger Selection Fund				
Thailand	$9.04	-	-0.01	-
Malaysia	$10.72	-	+0.01	-
Indonesia	$7.15	-	-0.03	-
Three-Way Asset Allocation Funds				
TWAA Fund I*	$105.31	105.38	----	-
TWAA Fund II*	$106.02	106.07	----	-
* Prices as at May 30				
Tudor BVI Futures Ltd				
NAV May 28	$9353.39	[illegible]		-
Tudor G-5 Ltd				
NAV May 22	[illegible]		----	-
Tudor G-5 Unit Trust (Japan)				
NAV May 29	$1004.02		-16.92	-
Tyndall International (Bermuda) Ltd				
American Special Sits.	$50.65	53.19	-0.04	-
Capital Protection (z)	C$11.67	12.26	(z)	-
Commodity	$16.34	17.17	(z)	-
Eurobond	$31.93	33.53	-0.10	-
Money (z)	$37.17	39.05	(z)	6.66
Mortgage (z)	C$16.04	16.85	(z)	-
North American	$43.99	46.20	+0.06	-
Overseas	$27.01	28.37	-0.11	-
Pacific Gold	$3.40	3.58	+0.05	-
Tiger	$45.85	48.15	-0.17	-
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.46	10.47	----	-
Dollar Fd OPUPs	$5.65	5.67	----	-
Sterling Fd BOPUPs	£10.23	10.24	----	-
Sterling Fd OPUPs	£5.93	5.95	----	-
DM Fd BOPUPs	DM9.85	9.86	----	-
DM Fd OPUPs	DM5.67	5.68	----	-
Yen Fd BOPUPs	$8.44	8.45	----	-
Yen Fd OPUPs	$5.61	5.63	----	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$13.17	13.90	----	0.08
Japanese Warrants	$7.27	7.60	(z)	-

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Australian dollar loses ground

ATTENTION TURNED towards the Australian [illegible] during a day when the recent lack of activity on the foreign exchanges was compounded by *the closure of German markets* for a religious holiday.

The Australian dollar weakened on political uncertainty when it was announced that Mr Paul Keating, Australia's treasurer, had challenged for leadership of the ruling Labour Party. Today's meeting of the party caucus decides whether he replaces Mr Bob Hawke as Australian prime minister. [illegible] Hawke has led the Labour Party since 1983.

In Sydney the Australian dollar had [illegible] on a firm note [illegible] 76.40 US [illegible] Keating said that Australia's monetary policy was "appropriately firm" and that the current account deficit would be lower than his forecast A$18bn for the [illegible] to June. Later in Europe the currency fell [illegible] following the announcement of the leadership challenge.

Sterling also had a [illegible] on political uncertainty, amid speculation that Britain's Conservative government will be forced to cut interest rates in an attempt to increase its popularity. A general election must be held by the middle of next year and recent opinion polls have consistently placed the government behind the opposition [illegible] Party.

Comments by Mr Nicholas Goodison, chairman of the British Bankers' Association, also [illegible] on the pound, as he echoed the view of the National Institute of Economic and Social Research's latest report that the [illegible] will not [illegible] until [illegible].

At the London close sterling was hovering around [illegible] support at DM2.9500, [illegible] touching a [illegible] of DM2.9450. Further support is seen at around DM2.9425, but if this is broken the pound could fall to [illegible], according to dealers, [illegible] there is intervention by the Bank of England.

[illegible] $1.7165 and fell to FFr10.0150 from FFr10.0375; [illegible] from SFr2.5325; [illegible] to Y236.50 from Y239.25. On Bank of England figures the pound's index declined [illegible] to [illegible].

[illegible] surrounding sterling, on political and interest rate factors, had not been translated into weakness in the European exchange rate mechanism so far this week. But *yesterday the pound fell from* third strongest to sixth position, dipping below the Belgian franc, Dutch guilder and German D-Mark.

The dollar gained ground after technical support held at DM1.7050. Remarks by Mr William Webster, in his final briefing as CIA director, supported the dollar by casting doubt on the future of Soviet President Mikhail Gorbachev. He said "Moses didn't get to the promised land, and this may be the case with Gorbachev."

At the London close the dollar had climbed to DM1.7185 from DM1.7085; to [illegible] from SFr1.4610; and to FFr5.8350 from FFr5.7925, but [illegible] to Y137.80 from Y138.10. Its index rose to 66.1 from 65.5.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.400	-4.66	6.17	81
Italian Lira	1538.24	1529.50	-0.57	1.80	35
Belgian Franc	42.4032	42.3032	-0.24	1.46	19
D-Mark	2.05586	2.05583	0.00	1.22	10
Dutch Guilder	2.31643	2.31645	0.00	1.22	7
Sterling	0.696904	0.697556	0.09	1.12	-3
Irish Punt	0.767417	0.768395	0.13	1.09	1
Danish Krone	7.84195	7.89411	0.67	0.55	-34
French Franc	6.89509	6.97914	1.22	0.00	-59

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

May 30	Latest	Previous Close
£ Spot	1.7145-1.7155	1.7260-1.7270
1 month	0.79-0.77pm	0.76-0.74pm
3 months	2.28-2.25pm	2.31-2.28pm
12 months	6.80-6.70pm	6.93-6.83pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

May 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7135 - [illegible]	1.7160 - 1.7170	0.78-0.76cpm	5.38	2.30-2.27pm	5.32
Canada	1.9685 - [illegible]	1.9690 - 1.9700	0.43-0.35cpm	2.38	1.38-1.23pm	2.65
Netherlands	3.3200 - [illegible]	3.3200 - 3.3300	[illegible]	2.03	[illegible]	2.10
Belgium	60.55 - [illegible]	60.60 - 60.70	15-10cpm	2.47	44-32pm	2.51
Denmark	11.3075 - [illegible]	11.3250 - 11.3350	[illegible]	2.05	[illegible]	1.99
Ireland	1.1035 - 1.1050	1.1040 - 1.1050	0.20-0.15cpm	1.90	0.50-0.40pm	1.63
Germany	2.9470 - 2.9540	2.9475 - 2.9525	[illegible]	2.29	[illegible]	2.29
Portugal	256.30 - 257.90	256.98 - 257.90	30-22cpm	1.24	2-70dis	-0.56
Spain	182.30 - 183.60	182.40 - 182.70	13-19cdis	-1.05	37-49dis	-0.94
Italy	2189.75 - 2200.15	2189.75 - 2190.75	[illegible]	-0.07	[illegible]	0.09
Norway	11.4875 - 11.5255	11.4875 - 11.4975	[illegible]	1.50	[illegible]	1.40
France	9.9955 - 10.0515	10.0100 - 10.0200	[illegible]	2.02	[illegible]	2.10
Sweden	10.5600 - 10.5990	10.5600 - 10.5700	[illegible]	0.35	[illegible]	0.24
Japan	236.00 - 238.10	236.00 - 237.00	[illegible]	3.49	[illegible]	3.70
Austria	20.72 - 20.80	20.72 - 20.75	[illegible]	2.17	[illegible]	2.18
Switzerland	2.5100 - [illegible]	2.5100 - 2.5200	[illegible]	3.28	[illegible]	3.28
Ecu	1.4340 - 1.4420	1.4365 - 1.4375	0.18-0.13cpm	1.29	0.52-0.45pm	1.35

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.07-4.02cpm. 12 Month 6.81-6.71cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7135 - 1.7315	1.7160 - 1.7170	0.78-0.76cpm	5.38	2.30-2.27pm	5.32
Ireland†	1.5630 - 1.5675	1.5670 - 1.5680	0.57-0.52cpm	4.20	1.52-1.42pm	3.76
Canada	1.1455 - 1.1485	1.1465 - 1.1475	0.28-0.31cdis	-3.09	0.75-0.81dis	-2.72
Netherlands	1.9220 - 1.9380	1.9370 - 1.9380	0.50-0.53cdis	-3.19	1.51-1.56dis	-3.17
Belgium	35.10 - 35.40	35.30 - 35.40	7.40-9.40cdis	-2.85	22.00-28.00dis	-2.83
Denmark	6.5580 - 6.6025	6.5975 - 6.6025	1.70-2.00oredis	-3.36	5.25-5.85dis	-3.36
Germany	1.7050 - 1.7215	1.7180 - 1.7190	0.42-0.44pfdis	-3.00	1.29-1.32dis	-3.04
Portugal	149.15 - 149.90	149.75 - 149.85	52-62cdis	-4.57	175-205dis	-5.07
Spain	105.65 - 106.60	106.50 - 106.60	53-56cdis	-4.14	157-166dis	-6.06
Italy	1268.25 - 1276.75	1275.75 - 1276.25	5.90-6.00liredis	-5.41	16.30-17.30dis	-5.27
Norway	6.6575 - 6.6975	6.6925 - 6.6975	2.00-2.30oredis	-3.85	6.25-6.75dis	-3.88
France	5.7875 - 5.8385	5.8325 - 5.8375	1.60-1.65cdis	-3.34	4.60-4.70dis	-3.19
Sweden	6.1130 - 6.1640	6.1525 - 6.1575	2.45-2.70oredis	-5.02	7.65-8.10dis	-5.12
Japan	137.40 - 138.10	137.75 - 137.85	0.21-0.22ydis	-1.87	0.56-0.58dis	-1.65
Austria	N/A	11.9200 - 11.9250	3.20-3.60grodis	-3.42	9.00-10.20dis	-3.22
Switzerland	1.4545 - 1.4680	1.4640 - 1.4650	0.24-0.26cdis	-2.05	0.73-0.76dis	-2.03
Ecu	1.1935 - 1.2035	1.1945 - 1.1955	0.42-0.40cpm	4.12	1.19-1.16pm	3.93

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

May 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	12 - 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	6 - 5¾	6 - 5¾	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 30	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.717	[illegible]	236.5	[illegible]	2.515	[illegible]	2190.	[illegible]	[illegible]	[illegible]
$	0.582	1	1.718	137.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	35.32	[illegible]
DM	[illegible]	0.582	1	80.17	[illegible]	[illegible]	1.127	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	7.260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9260	[illegible]	256.4	6.076
F Fr.	[illegible]	1.714	[illegible]	236.0	10.	2.510	3.318	2186	1.965	60.53	1.434
S Fr.	0.398	0.683	1.173	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.301	0.516	0.887	71.13	3.014	0.756	1	658.6	0.592	18.24	0.432
Lira	[illegible]	0.784	1.347	108.0	[illegible]	[illegible]	1.518	[illegible]	[illegible]	[illegible]	0.656
C$	[illegible]	0.872	[illegible]	120.1	[illegible]	[illegible]	[illegible]	1112	1	30.80	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	389.9	16.52	[illegible]	5.482	3611	[illegible]	100.	[illegible]
ECU	[illegible]	1.195	[illegible]	[illegible]	[illegible]	[illegible]	2.314	1524	[illegible]	[illegible]	1

Yen per [illegible] French Fr. per 10: Lira per 1,000: Belgian Fr. per [illegible]

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

BASE LENDING RATES

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Slightly softer tone

INTEREST RATES had a [illegible] tone in [illegible] yesterday [illegible] the National Institute for Economic and Social [illegible] reported [illegible] Britain's [illegible] sion was the worst [illegible] major industrial country.

This was in line with comments by *Sir Nicholas* [illegible]son, chairman of the British [illegible] Association, who said [illegible] feared the [illegible] could [illegible] well into [illegible].

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

Three-month sterling interbank was quoted at 11⅛-11% per cent, compared with 11½-11⅜ previously, while 12-month money was unchanged at 11⅛-11 per cent.

Trading remained quiet in short sterling futures on Liffe, reflecting uncertainty about the timing of any further rate cuts. June delivery opened unchanged [illegible] 88.76. This was the day's low, but the [illegible] did not move much higher, trading in a narrow range and touching a peak of [illegible], before closing [illegible] 88.79.

[illegible] was in [illegible] on the cash market. The Bank of England initially forecast a shortage of £1,050m, but revised this [illegible] £900m at [illegible] and to £1,000m in the afternoon. Total [illegible] was provided.

An early round of help [illegible] bought [illegible] bills outright, by way [illegible] Treasury bills in band [illegible] at 11⅝ [illegible] £22m bank bills in band 2 [illegible] 11⅝ [illegible].

[illegible] lunch [illegible] bills [illegible] purchased, via £267m bank bills in band 1 [illegible] 11¾ per cent and [illegible] bank bills in band 2 at 11⅝ per cent.

In the [illegible] bills [illegible] bought, though £1m Treasury bills in band 1 at [illegible] per cent; [illegible] bank bills in band 1 at 11¾ [illegible] and [illegible] bank bills in band 2 [illegible] 11⅝ per cent. Late [illegible] around £25m was provided.

Bills maturing in official hands, repayment [illegible] and a take-up of Treasury bills drained £592m, with the unwinding of bill repurchase agreements absorbing £179m; exchequer [illegible] £175m; a [illegible] in the note circulation £35m; [illegible] bank balances [illegible] target [illegible].

In Stockholm the Swedish Central Bank cut its discount rate by 1 point to [illegible] per [illegible]. This followed a decline in money [illegible] the Swedish krona was linked [illegible] European currency unit [illegible] May 17. Mr Bengt Dennis, governor of the central bank, said he does [illegible] rule out another reduction in the discount [illegible] if [illegible] present [illegible].

FT LONDON INTERBANK FIXING

(11.00 a.m. May 30) 3 months US dollars: bid 5⅞, offer 6⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,556 Set by VIXEN

ACROSS
1 Hard worker occupying [illegible]st dwelling (6)
4 Diana's hair gives [illegible] trouble (8)
9 The girl of three's rebellious (6)
10 Loud guy after representation (8)
12 Gave up and faced the wall (8)
13 A man of decision (6)
15 Home from one's travels (4)
16 Keeps breaking down in tears (7)
20 Money invested in London maybe (7)
21 Dauntless, though disabled (4)
25 A highway of lesser importance? Not in this country! (6)
26 Cold – remains only to get material (8)
28 At one time the theatrical profession could be tough (8)
29 Many quit – split results (6)
30 People under medical care test pain treatment (8)
31 Wait for a series of races to terminate (6)

DOWN
1 Driving one round the bend! (8)
2 Hosts in a drunken daze (8)
3 Join the revolutionary in rows (6)
5 An area of land that's about a quarter lake (4)
6 In principle people will offer accommodation (8)
7 Providing cover for the viewer (6)
8 Some basset, terrier, or other dog (6)
11 Seem in a mess, having made a bloomer (7)
14 Dear Italian vehicle – a mobile home (7)
17 Constituents scared at seeing a register of property (8)
18 Hurt the pupil with one and a charge results (8)
19 It's a minister's style to talk around ceaselessly (8)
22 Enhanced the appearance! That's not true (4,2)
23 Operated surrounded by pictures, being thorough (6)
24 Talk about the continental type of building (6)
27 Tie for a flier (4)

Solution to Puzzle No.7,555

جريدة الأيام

WORLD STOCK MARKETS

AUSTRIA

May 29	Sch	+ or −
Austrian Airlines	3,290	....
Creditanstalt	3,520	....
EA-Generali	4,320	....
EVN	848	....
Jungbunzlauer	9,950	....
Länderbank	1,380	
OeMV	9,180	....
Perlmooser Zement	1,510	
Radex Heraklith	885	....
Reininghaus Brau	2,070	
Steyr Daimler	408	....
Veitscher Magnesit	670	....
Verbund (Br) A	521	....
Wienerberger	5,670	....

BELGIUM/LUXEMBOURG

May 30	Frs.	+ or −
ACEC-Union Min	2,470	+10
Arbed	4,220	+10
BBL	2,810	−20
Bank Intl a Lux	11,000	....
Banq Gen Lux Pts	12,550	....
Barco	1,250xd	+8
Bekaert	8,680	−10
CBR Ciment	7,850	+110
Cobepa	5,200	....
Cobepa AFV 1	5,120	....
Cockerill Priv	182	+6
Colruyt	3,375	−5
Delhaize Frs Lion	7,750	....
Electrabel	4,530xd	+10
Electrabel AFV	4,530xd	+5
Electrafina ACT	3,085	−5
Fabrique Nat.	127	−5
GBL	3,670	−45
GBL AFV 1	3,650	+20
GIB Group	1,376	....
GIB Group AFV	1,320	+2
Gechem	824	−24
[illegible]	[illegible]	[illegible]

FRANCE (continued)

May 30	Frs.	+ or −
Bongrain	2,490	−80
Bouygues	606	+15
CEIP	1,089	+9
C M B Packaging	144	+3
Canal+	1,075	+10
Cap Gemini S	362.50	+0.50
Carrefour	1,940	−19
Casino	138	....
Cetelem	688	+5
Chargeurs	754	+29
Ciments Fr	359	−5
Club Mediterranee	438.60	−2.40
Cogifi	372.10	....
Coparex	579	....
C C F	147xd	−1
Cr Fonc France	1,249	+7
Cred Lyon (CI)	591	−9
Credit National	1,248	+5
Damart	1,915	−1
Docks de France	3,748xd	−13
Dollfus Mieg Cie	403	+15.80
EBF	726	−21
Eaux Cie Genl	2,658	+32
Ecco	367	+3
Elf-Aquitaine	363	+7.40
Elf-Aquitaine Certs	242.30	+0.30
Essilor Int	364.90	−0.10
Eter	1,900xd	+10
Eurafrance	1,725	+25
Eurocom	795	−4
Euro Disney	124.10	+0.20
Euromarche	4,220	+20
Exor	1,400	+5
Finextel	136.50	+2
Fonc Lyonnaise	725	+4
From C et Anv	2,050	−60
GTM-Entrepose	499	+4
Gal. Lafayette	1,725	....
Gaumont (Soc N)	900	....
Gen Occidentale	798	+5
Geophysique	701	+1
[illegible]	[illegible]	[illegible]

GERMANY (continued)

May 29	Dm.	+ or −
Colonia Vers	1,150	....
Colonia Versich Pf	630	....
Commerzbank	279	....
Continental AG	185	....
DLW	610	....
Daimler-Benz	736	....
Deckel (Fr)	135	....
Degussa	351	....
Deutsche Babcock	170	....
Deutsche Bank	669.50xd	....
Didier-Werke	208.50	....
Douglas Hldg	806.50	....
Dragerwerk	301	....
Dresdner Bk	382.20xd	....
Fag Kugelfischer	289	....
Gerresheimer	404	....
Goldschmidt (TH)	734.50	....
Hamburg Elekt	192	....
Hapag Lloyd	438	....
Heidelb Zem	1,145	....
Henkel Prf	608xd	....
Herlitz	379	....
Hochtief	1,483	....
Hoechst	274	....
Hoesch	256.50	....
Holzmann Ph	1,545	....
Horten	193.30	....
Industriekredit	262.50	....
Industrie Werke	320.50	....
Kali & Salz	158	....
Karstadt	640	....
Kaufhof	532	....
KHD	186.50	....
Klockner Werke	143.50	....
Lahmeyer	970	....
Leifheit	780	....
Linde	823xd	....
Linotype	540xd	....
Lufthansa	126.60	....
Lufthansa n/v Prf	115	....
MAN	383.50	....
[illegible]	[illegible]	[illegible]

NETHERLANDS

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SOUTH AFRICA

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

ITALY

[illegible]

GERMANY

[illegible]

SWEDEN

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

3:00 pm prices May 30

Quotations in cents unless marked $

[illegible]

MONTREAL

[illegible] pm prices May 30

[illegible]

INDICES

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

	May 29	May 28	May 27	May 24	HIGH	LOW
Metals & Minerals	3073.99	3089.40	3002.61	2996.17	3284.18 (5/3)	2632.06 (9/1)
Composite	3498.40	3492.78	3456.64	3456.06	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1855.97	1856.94	1836.00	1833.29	1888.19 (5/3)	1686.59 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

[illegible]

TAIWAN**						
Weighted Price (30/6/66)	5997.24	5773.59	5939.17	5901.45	6305.22 (9/5)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	802.88	809.25	(c)	810.10	905.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (c)	514.0*	511.9	510.3	508.3	529.2 (17/4)	439.1 (16/1)

**Saturday May 25: Taiwan Weighted Price 5959.92 Korea Comp Ex. 617.29. *Calculated at 15.00 GMT. [illegible] official recalculation. [illegible] of all indices are 100 [illegible] BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and [illegible] All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 30 May 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi Zosen	36.1	690	+21	Nippon Mining	6.0	615	+32
Japan Steel	19.4	669	+27	Akai Electric	5.8	1,170	+70
Nisshin Steel	12.8	781	+24	Mitsubishi Heavy	5.0	780	-10
Niigata Eng.	10.2	615	+10	Nippon Steel	4.6	462	-2
Cosmo Oil	9.6	695	+17	Daiheo	4.3	1,090	+80

3:15 pm prices May 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.03	12	1839	[illegible]	12⅞	13¼	+⅜
18¾	14½	A L Labs A	0.16	0.01	16	1886	[illegible]	16½	16¾	+⅛
54¾	40⅞	AMP Inc	1.44	0.03	19	1258	50¼	49⅞	50⅜	+1⅜
65⅞	44¼	AMR			19	4228	64⅞	[illegible]	64¼	+1⅜
2⅝	1¼	ARX			2	z100	1⅝	1⅝	1⅝	
48¾	41½	ASA	[illegible]	0.07	14	1171	u48⅞	47¼	48¼	+1¼
54	39¼	Abbott Lab	[illegible]	0.02	23	6496	53½	51⅞	53½	+½
13⅝	9⅞	Abitibi Pr	[illegible]	0.04	26	29	u13¾	13⅛	13¾	+⅜
11½	10½	ACM Gvt In				1228	u11½	11¼	11½	+¼
9¾	8¼	ACM GvOpp	1.01	0.11		280	9½	9¼	9½	+⅛
9¼	8¼	ACM Gvt Sp	1.01	0.11		182	u9¼	9⅛	9⅛	-⅛
11	9⅞	ACM Gt Sx x				642	u11	10⅞	10⅞	
9¾	7⅞	ACM Man	1.01	[illegible]		535	u9¼	9⅛	9¼	+⅛
12⅞	11⅞	ACM Managd	1.50	[illegible]		602	12⅜	12⅜	12⅜	-⅛
7¼	4⅞	Acme Clevd	0.40	[illegible]	15	33	6½	6⅜	6⅜	-⅛
6	3½	Acme Elect			36	15	4	3⅞	3⅞	+⅛
40	22¼	Acuson			25	1465	34¾	33¾	34½	+⅛
18⅞	14¼	Adams Expr	0.48	[illegible]	0	186	u18¾	18⅜	18¾	+¼
20⅞	16⅞	Adobe12Pf	2.40	[illegible]		162	19⅜	19½	19½	
9¼	7	Adobe Res			23	45	[illegible]	8	8	-⅛
36	18	Ad Micro				149	u36¾	35⅞	36⅝	+⅜
14¼	4⅝	Ad Micro P	[illegible]	0.23	16	5774	13⅜	12⅞	13¼	+⅜
5½	2¼	Advest Grp	[illegible]	0.04	6	99	4⅜	4⅛	4⅜	+⅛
49½	38⅞	Aetna Lf	[illegible]	0.06	8	1634	41⅞	41⅛	41⅞	+⅜
10⅝	6⅝	Ahl A	[illegible]	0.09	35	929	8⅞	8¼	8⅞	
18¾	12	Ahmanson	[illegible]	0.05	11	4704	u19¾	18¾	19⅛	+⅜
8½	2⅞	Aileen Inc			13	172	7⅞	7½	7⅞	
70⅝	51⅜	Air Pr Chm			16	1069	u70⅝	68⅝	70⅜	+1½
26⅞	16⅞	Airbne Frt	0.30	0.01	15	782	25	24½	25	+½
18⅞	12½	Airgas Inc			69	120	14⅝	14	14½	+½
15¾	10	Airlease	[illegible]	[illegible]	6	70	13¼	12½	12⅝	-⅛
94	85¼	AlaPw8.16				11	u94	94	92½	-1½
24¾	21⅜	AlaPw PfA	2.00	0.08		80	u24¾	24⅝	24¾	
104½	100	AlaPw9.44				z100	103¾	103¾	103¾	
106	102⅞	Alab Pw 11				2	104	104	104	
102	96	Alab Pw 9P				z100	101¾	101¾	102	+¼
96	88	Alab 8.28C				4	93⅜	92½	92½	
10¼	8⅞	AlaPwDpPf				8	10⅛	10⅛	10¼	-⅛
25⅝	17½	Alaska Air	0.20	0.01	136	227	22¼	22	22¼	-⅛
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

Continued on next page

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

3:00 pm prices May 30

NASDAQ NATIONAL MARKET

3:00 pm prices May 30

- A - B - C - D - E - F - G - H - I - J - K - L - M - N - O - P - Q - R - S - T - U - V - W -

- X - Y - Z -

Stock	Div.	E	100s	High	Low	Last	Chng
Xilinx		[illegible]	1982	23¼	21¼	23	+⅞
XL Da[illegible]		[illegible]	803	8⅛	7⅞	8	
Xoma C[illegible]		[illegible]	885	29½	28¾	29⅛	-⅞
Yellow F[illegible]	0.94	[illegible]	1928	31	29⅞	30¾	+⅞
York Rsch		[illegible]	1424	20⅞	19¼	20	+⅞
Zions Utah	1.44	[illegible]	60	42½	41½	41½	-⅛

AMERICA

Positive economic [redacted] takes Dow close to 3,000

Wall Street

SOME MILDLY positive economic news and a firmer bond market lifted share prices across the board yesterday morning, *writes Patrick Harverson in New York.*

At 1.30 pm the Dow Jones Industrial Average was up 29.74 at 2,999.33, only 5.13 points below the record high of April 17. The Standard & Poor's 500 was also firmer, up 2.83 at 385.62 at 1 pm, while the Nasdaq composite of over-the-counter issues was up 2.43 at 501.48. Turnover on the NYSE was heavy at 134m shares and rising stocks outpaced falling stocks by over two to one.

The steady rise in equity prices since the long holiday weekend has been attributed to a growing feeling among investors that the economy is on the verge of its recovery from recession.

Yesterday's government figures showing that initial jobless claims fell by 9,000 in mid-May was regarded as further evidence that labour market conditions are slowly improving. A [redacted] per [redacted] increase in *sales [redacted] single-family homes* during April was also seen as broadly positive news.

Sentiment in Digital Equipment, a sharp climber earlier this week, turned around swiftly, as the shares dropped $1⅛ to $66⅛ after some analysts left a meeting with the company in Boston convinced that their earnings estimates were too high. At least two researchers, at Merrill Lynch [redacted] Cowen [redacted] Co. [redacted] their profits forecasts for the [redacted].

Walt Disney suffered a similar fate, slipping $2¼ to [redacted] more analysts [redacted] their earnings estimates for the entertainment group. On Wednesday Goldman [redacted]

NYSE volume

and Shearson Lehman reduced their profits [redacted] Yesterday, Mr David Londoner of Wertheim [redacted] his earnings [redacted] for [redacted] year ending *September 1991* from $5.60 a [redacted] to [redacted] share, citing concern about [redacted] park [redacted] and [redacted] contribution to group [redacted] from the film [redacted].

The [redacted] actively traded [redacted] was [redacted] component of USX, which rose [redacted] $24⅜ on volume [redacted] more than 4m [redacted], which included [redacted] of [redacted].

Keycorp [redacted] and First Empire State rose [redacted] to [redacted] reports that the [redacted] banking groups had won the bidding [redacted] buy the Goldome, the insolvent savings bank [redacted].

Dell Computer fell [redacted] on turnover of 1.1m shares after the [redacted] recorded first-quarter net income [redacted] 46 [redacted] a share. Although this represented an improvement on last year's 28 [redacted] share, the stock had been heavily bought [redacted] of the figures.

Canada

[redacted] STOCKS [redacted] slightly by midsession in mod[redacted] trading, [redacted] the market [redacted] the gains [redacted] the previ[redacted]. The [redacted] gained [redacted] to [redacted] led [redacted] by 82 [redacted] on volume of 15m shares.

Moore Corp, which [redacted] C$⅝ [redacted] C$31⅞, was said [redacted] have broken through the top of its recent trading range.

MDS Health Group class B shares, which slipped C$⅛ to C$17⅞, topped the most active list in 1.72m shares.

SOUTH AFRICA

A FALL in platinum prices hit related shares. Impala plunged R7.75 or 11.4 per cent to R60 and Rustenburg lost R7.25 or 9.6 per cent to R68.50. Johannesburg's all-gold index fell 14 to 1,236 in [redacted] trading before today's holiday.

A decade of change in emerging markets

Michael Prowse reviews uneven stock market growth patterns in the developing world

A DECADE is a long time in economic development.

In 1980, left-leaning governments in much of the Third World were hostile to stock markets, regarding them [redacted] among the [redacted] attractive trappings of developed capitalist economies. Today, says Sir William Ryrie, the head of the International Finance Corporation (IFC), bourses are widely regarded as an important tool for promoting development.

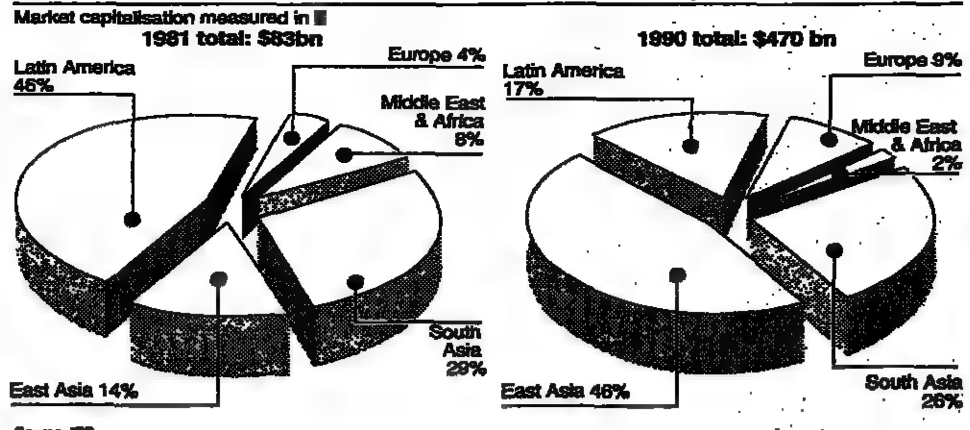
The impact of changing atti[redacted] the financial [redacted] is [redacted] in the [redacted] of the [redacted] Emerging [redacted] Factbook*. The IFC, the World Bank's private [redacted] accumulated data on third world [redacted] mar[redacted] for 10 [redacted] and provides weekly statistics on more than 800 stocks in 20 markets.

This year's factbook analyses the remarkable trends of the past decade. Perhaps the most important change is that stock markets which once were [redacted] casinos are becoming relatively efficient [redacted] for raising equity finance. During the 1980s, the number of companies listed in the biggest 20 emerging stock markets doubled. Their equity market capitalisation increased seven-fold, or from 7 per cent to 32 per [redacted] of [redacted] domestic product. The value of shares [redacted] grew [redacted] a [redacted].

Emerging markets, [redacted]

Emerging markets

Market capitalisation measured in [redacted]



Source: IFC

course, still have a long way to [redacted]. In [redacted], their market capi[redacted] of $470bn repre[redacted] only [redacted] per [redacted] capitalisation [redacted] stock markets. By contrast, [redacted] product accounted for [redacted] per [redacted] of world output.

The expansion, [redacted] far, is uneven, reflecting [redacted] pattern of growth in the developing world. In 1981, [redacted] and East Asia accounted for 46 per cent and 14 per cent [redacted]tively of [redacted] capitalisation of emerging [redacted]. Last [redacted], the [redacted] almost reversed, with Latin America's share down to 17 per cent and East Asia's up to 46 per cent.

On the whole, emerging markets generate attractive returns for investors. The IFC began compiling a "composite index" for emerging markets in 1984. In the first five years it rose by 206 per cent. But 1990 was a poor year: a big sell-off in Asian emerging markets followed a decline of one third in share prices in Tokyo, while all the markets were rocked by Iraq's invasion of Kuwait. The IFC composite dropped 32 per cent, but total growth since 1984 was still 110 per cent, outperforming the US Standard & Poor's index.

In the past 16 months, the top five performers in the world have been emerging markets. The top three, Venezuela, Greece and Chile, have risen 599 per cent, 96 per cent and 84 per cent respectively. Venezuela's performance was equivalent to the Dow soaring to 12,000.

Much greater volatility is the price paid for such returns. From its February high last year to its October low, Taiwan, for example, dropped 78 per cent; it has since gained about 110 per cent. The average weekly change in share prices was about 7 per cent.

Country funds, which allow investors to participate in emerging markets without following individual shares, are the most popular investment vehicle for foreigners. The IFC helped to launch the first, the Korea Fund, in 1984. Today there are about 150 funds covering the developing world. Last year alone, 50 new funds were launched, raising $4.1bn for investment in Latin America, Asia and east Europe.

Many factors help explain the growth of emerging markets. The debt crisis of the 1980s forced developing countries to rely more heavily on equity finance. The embracing of free market principles made rapid development of financial infrastructure a priority. But the IFC also stresses the emergence of competitive "world class" companies, with a growing appetite for equity finance.

The IFC's prognosis is for further expansion in the 1990s, with privatisation increasing the size, liquidity and sophistication of stock markets, especially in eastern Europe and Latin America. It also sees a trend towards better regulation of emerging markets, more timely information for investors and easier access for foreigners. Capitalism has arrived in the Third World.

**Emerging Stock Markets Factbook 1991. IFC, 1818 H Street, Washington DC 20433. US.*

ASIA PACIFIC

Nikkei makes first two-day gain in more than six weeks

Tokyo

INDEX-LINKED buying and trader activity yesterday helped the Nikkei average to its first two-day rise since April 17, *writes Emiko Terazono in Tokyo.*

The average closed 151.99 up at 25,647.40, after opening at the day's low of 25,555.77 and reaching a high of 25,719.99 in the afternoon. Volume eased to 360m shares from 400m.

Sentiment improved after the overnight rise on Wall Street and a fall in the rates for three-month certificates of deposit, but investors remained cautious about prospects for a discount rate cut. Traders said share prices were moving on short-term, dealer-led activity.

Advances led declines by 569 to 364, with [redacted] unchanged. The Topix index [redacted] all [redacted] 13.82 [redacted] 1,948.51, although in London [redacted] ISE/Nikkei 50 index was up just 0.45 at 1,448.20.

Mr Shin Tokoi at County NatWest said market partici[redacted] waiting [redacted] the Bank [redacted] Japan's tankan, [redacted] quarterly [redacted] sentiment survey, [redacted] be published on June 11, [redacted] indicate [redacted] central bank [redacted] economic [redacted].

High-priced technology [redacted] continued [redacted] gain ground. [redacted] had [redacted] depressed *recently* [redacted] earnings results, [redacted] is [redacted] thought [redacted] have [redacted]. TDK [redacted] Y5,520 and Sony Y80 to Y6,240.

Foreigners bought oil issues on reports of sharp profit increases and an expected industrial restructuring plan. Showa Shell Sekiyu moved [redacted] Y1,590.

[redacted] refinery-related [redacted] continued to [redacted] on reports of a joint oil refinery project. Nippon Mining, one of the participants in the tie-up, put on Y22 to Y615. Japan Steel Works climbed Y27 to Y862.

Nissan Motor rose initially on reports that the company had developed a cheaper palladium catalytic converter for removing toxic chemicals from emissions. However, the stock closed Y8 off on balance at Y722 on profit-taking.

Yokogawa Bridge Works, the leading bridge maker, declined Y100 to Y2,080. It has lost 40 per cent since the 1991 high of Y3,450 set on April 5, after forecasting a double digit fall in pre-tax profits.

Electric power companies rose on news of the government's plans to raise electricity prices this summer. Tohoku Electric Power gained Y130 to Y2,840 and Tokyo Electric Power Y100 to Y3,860.

In Osaka, the OSE average firmed 157.11 to 28,141.52 on 36m shares, up from 31m.

Roundup

THE RECOVERY in Hong Kong continued yesterday, but other Pacific Rim markets were weak and Australian shares dropped further in the London market.

HONG KONG was relieved that Wednesday's speech by Sir Piers Jacobs, financial sec*retary, contained no stiff anti*-inflationary measures.

The Hang Seng index gained 54.33 or 1.5 per cent to 3,679.72, although it remains 6 per cent below its post-1987 crash peak of 3,917.09, set on Monday last week. Turnover expanded to HK$1.4bn from HK$1.1bn.

Banking and property shares led gains. HSBC Holdings, Hongkong Bank's holding company, put [redacted] HK$1 [redacted] HK$26.

AUSTRALIA followed [redacted] batch of economic news, some of it better than expected, with a 3.9-point decline in the All Ordinaries index to 1,500.5. *Turnover shrank from A$295m* to [redacted].

In London, news [redacted] the Australian [redacted], Mr Paul Keating, would challenge Prime Minister Bob Hawke for the Labor party leadership took 5 to 10 per cent off leading shares on mark-downs. BHP fell 9 cents to A$12.21 and CRA 6 cents to A$12.39.

Earlier in Australia, News Corp beat the trend, rising 22 cents to A$8.88. Other companies were not so fortunate. Jennings, the housing and property group, fell another 7 cents to 80 cents. It announced asset sales of about A$90m as part of a statement to the Australian Stock Exchange (ASE) denying the rumours which had *knocked the share price down* by 25 per cent in the past week.

TNT, the transport concern which also has been surrounded by speculation, lost a cent to A$1.08, compared with a 1991 high of A$1.67. The fall has prompted an ASE inquiry.

KUALA LUMPUR slipped from the previous day's record high on profit-taking. The composite index closed 1.12 down at 633.90, after climbing [redacted] a day's peak of 640.28. Volume fell to 60.5m shares from 86.7m.

Binaan Setegap, the road construction company, made its debut, rising M$2.80 above its offer price to M$5.10 in active trading of 2.3m shares.

BANGKOK marked the last day of its open-outcry system with the lowest turnover since the Gulf war ended in February. The SET index shed 6.37 to [redacted] on 1.74bn baht.

EUROPE

Quality of Milan rally is put to the question

BOURSES mostly improved yesterday although, Milan *apart, the gains were more ten*[redacted] than on Wednesday. Frankfurt, Vienna and Lisbon were closed for Corpus Christi, *writes Our Markets Staff.*

MILAN's Comit index ended 6.74 better at 603.91. However, Ms Melinda Diamond of Baring Securities said that this simply kept it in touch with the 570-600 trading range of recent months, and well below the 750 of the middle of last year.

Similarly, the rise in turnover this week – from L120bn [redacted] Monday, through [redacted] and [redacted] on Tuesday and Wednesday, [redacted] something higher yesterday – had to be seen [redacted] the context of a frequent daily L200bn, and sometimes L250bn, last summer.

Against the [redacted] grammes announced, or extended, by Fiat, Ferfin and Italcementi, Ms [redacted] a heavy rights issue season this autumn. Barings, therefore, is not enamoured [redacted] blue-chip [redacted] such as Fiat, which rose [redacted] L129 to [redacted]. It does like retailers, such as Rinascente, which rose L131 to L6,730 yesterday, judging that Italian consumer expenditure will show a good rise this year.

PARIS edged higher, partly on hopes [redacted] lower inflation, although the absence [redacted] an [redacted] rate [redacted] continued [redacted] keep gains in [redacted]. The CAC 40 index rose 11.93 to 1,837.09 in turnover of about FFr2bn, after Wednesday's FFr2.2bn.

Hopes of increased car sales, following Wednesday's cut in VAT on cars, boosted Michelin by FFr3.80 or 3.9 per cent to [redacted] on heavy volume [redacted] 673,100 [redacted] Peugeot [redacted] up another [redacted] FFr601 on *237,550 shares.*

AGF, [redacted] insurer, recovered from a day's low of FFr514, but still closed FFr16 down at FFr525 on 117,960 shares following the news of its rights issue. Société Générale ended FFr4.30 lower at FFr429.70 on reports that it would have to make provisions against losses by its broking subsidiary, Delahaye Ripault.

MADRID concentrated on *the utility sector. Hidrola and Iberduero were suspended from* trading after the recent speculation over their merger terms.

Union Fenosa gained Pta11 to Pta625 on heavy volume of 2.34m shares, while Sevillana rose Pta23 or 3.4 per cent to Pta690 on 1.55m shares. One analyst said that Fenosa represented good value, but that the speculators, who are hoping for a takeover of Sevillana at a premium, could be disappointed.

The general index rose 0.62 to 282.81 in turnover of about Pta12bn, after Wednesday's Pta16.3bn.

AMSTERDAM [redacted] Nedlloyd, [redacted] shipping company, recover *60 cents to Fl 54.50*, after falling to [redacted] yesterday's shareholders' meeting at which it forecast improved results in 1991. A vote on the accounts – at which shareholder Mr Torstein Hagen was expected to oppose the board – was due after the market closed.

The CBS Tendency index rose 0.6 to 95.1, helped by Wall Street's [redacted]ngth and the firmer dollar.

ZURICH was concerned about the outcome of Sunday's tax reform referendum which, if passed, would align the Swiss fiscal system closer with that of the European Community. Foreign investors placed a trickle of orders, but local [redacted] took a cautious stance and the Crédit Suisse index eased 0.5 to 548.0 in low volume.

STOCKHOLM drifted on profit-taking, the Affärsvärlden General index falling 5.1 to 1,102.7. The discount rate [redacted] from 10 to 9 per cent did not [redacted] the market, which said that the move was expected.

The mining and metals group, [redacted], reported [redacted] per cent drop in profits for the first four months of 1991. Its B shares fell SKr5 to SKr143.

FT-SE [redacted] 100 - [redacted] 30

Hourly [redacted]†

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	[redacted]
1144.05	[redacted]	1144.58	1145.37	1145.49	1145.95	1146.11	[redacted]

Day's High 1149.02 Day's Low 1143.61

May 29	May 28	May 24	May 23	May 22
1140.74	1138.36	1132.21	1132.62	1131.74

Base value 1000 (26/10/90) † Indicative.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood [redacted] in conjunction with the Institute [redacted] Actuaries and [redacted] Faculty [redacted]

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY MAY [redacted] 1991 US Dollar Index	Day's [redacted] %	Pound Sterling [redacted]	[redacted]	DM [redacted]	Local Currency Index	Local % [redacted]	Gross Div. Yield	TUESDAY MAY 28 1991 US Dollar [redacted]	[redacted] Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1991 High	1991 Low	Year ago (approx)
Australia (72)	138.98	−0.5	[redacted]	[redacted]	[redacted]	[redacted]	−1.0	5.48	[redacted]	[redacted]	[redacted]	[redacted]	122.40	[redacted]	112.74	[redacted]
Austria (19)	201.42	+1.5	[redacted]	[redacted]	[redacted]	177.28	+0.8	[redacted]	198.51	[redacted]	172.98	175.25	[redacted]	222.37	[redacted]	[redacted]
Belgium (60)	135.20	+0.4	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	134.62	114.37	117.29	[redacted]	116.19	151.20	121.73	150.98
Canada (117)	138.83	+0.1	118.77	[redacted]	123.31	115.31	+0.2	[redacted]	[redacted]	[redacted]	[redacted]	122.43	[redacted]	141.10	126.49	137.56
Denmark (31)	[redacted]	+0.0	209.15	213.42	217.16	[redacted]	[redacted]	1.54	[redacted]	207.67	[redacted]	[redacted]	[redacted]	270.58	217.74	[redacted]
Finland (21)	116.24	+0.7	[redacted]	[redacted]	[redacted]	[redacted]	+0.1	[redacted]	[redacted]	[redacted]	100.55	101.87	[redacted]	125.15	[redacted]	[redacted]
France (111)	137.43	[redacted]	117.57	[redacted]	[redacted]	[redacted]	[redacted]	3.42	[redacted]	[redacted]	[redacted]	[redacted]	124.13	152.26	121.85	[redacted]
Germany (68)	115.17	+0.0	98.53	100.55	[redacted]	102.30	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Hong Kong (47)	150.80	+1.1	[redacted]	[redacted]	[redacted]	149.60	[redacted]	[redacted]	149.15	[redacted]	[redacted]	[redacted]	[redacted]	161.77	[redacted]	[redacted]
Ireland (17)	155.02	+0.2	[redacted]	[redacted]	[redacted]	139.40	+0.7	[redacted]	[redacted]	131.42	134.78	[redacted]	[redacted]	182.46	[redacted]	[redacted]
Italy (91)	80.25	+0.4	[redacted]	[redacted]	[redacted]	76.09	+0.9	3.12	79.96	67.94	[redacted]	70.58	[redacted]	[redacted]	[redacted]	107.10
Japan (452)	136.64	+0.2	[redacted]	[redacted]	[redacted]	119.28	+0.3	0.72	136.42	115.91	118.87	120.45	[redacted]	[redacted]	[redacted]	[redacted]
Malaysia (33)	245.18	−0.6	209.75	214.02	217.77	260.19	−0.7	2.92	246.69	209.59	214.95	217.76	261.93	247.78	192.83	233.22
Mexico (12)	1008.00	+0.7	862.35	879.94	[redacted]	3297.48	+0.7	0.59	1000.72	850.23	872.00	883.42	3273.65	–	[redacted]	537.05
Netherland (40)	140.42	−0.3	120.13	[redacted]	[redacted]	[redacted]	+0.3	4.40	[redacted]	119.62	122.68	124.29	122.89	[redacted]	[redacted]	141.28
New Zealand (14)	50.28	−2.1	43.02	43.90	[redacted]	45.71	−2.2	[redacted]	51.34	43.62	[redacted]	45.32	46.74	[redacted]	41.18	[redacted]
Norway (30)	208.50	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1.61	207.16	[redacted]	180.52	[redacted]	[redacted]	223.24	182.24	242.20
Singapore (25)	203.19	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	−0.1	2.03	202.50	172.05	176.45	[redacted]	165.17	208.25	151.63	[redacted]
South Africa (60)	221.93	+1.2	[redacted]	193.73	197.12	[redacted]	+1.2	3.65	219.29	[redacted]	[redacted]	193.58	154.62	221.93	173[redacted]	193.85
Spain (41)	162.06	+0.0	[redacted]	141.47	[redacted]	[redacted]	[redacted]	4.32	162.03	[redacted]	[redacted]	[redacted]	[redacted]	171.12	131.51	[redacted]
Sweden (27)	192.33	+0.7	[redacted]	[redacted]	170.64	[redacted]	+0.7	2.52	191.08	162.35	[redacted]	168.69	172.49	204.12	[redacted]	[redacted]
Switzerland (66)	[redacted]	−1.4	81.74	83.42	84[redacted]	[redacted]	−0.4	2.26	96.93	[redacted]	84.47	[redacted]	86.87	100.67	[redacted]	[redacted]
United Kingdom (293)	172.69	−0.3	[redacted]	150.74	[redacted]	[redacted]	+0.4	[redacted]	173.14	147.10	150.85	[redacted]	147.10	[redacted]	[redacted]	160.36
USA (523)	154.96	[redacted]	[redacted]	135.28	[redacted]	[redacted]	+0.2	3.16	154.61	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	125.95	[redacted]
Europe (935)	140.91	−0.1	[redacted]	[redacted]	125.17	123.05	[redacted]	3.87	141.10	119.88	122.95	124.56	122.50	[redacted]	125.50	[redacted]
Nordic (109)	186.44	[redacted]	[redacted]	162.76	165.61	160.75	+0.6	2.01	185.70	157.77	[redacted]	163.93	159.87	[redacted]	155.55	203.40
Pacific Basin (643)	136.94	+0.2	117.15	119.55	[redacted]	[redacted]	+0.3	1.06	[redacted]	116.17	119.15	[redacted]	119.72	[redacted]	117.86	153.17
Euro – Pacific (1578)	138.92	+0.0	[redacted]	121.26	[redacted]	122.17	+0.4	[redacted]	[redacted]	[redacted]	121.00	122.59	121.73	[redacted]	[redacted]	151.24
North America (640)	153.89	[redacted]	[redacted]	[redacted]	136.71	152.29	+0.2	[redacted]	153.55	[redacted]	[redacted]	[redacted]	[redacted]	157.04	[redacted]	145.20
Europe Ex. UK (642)	121.45	+0.0	103.90	[redacted]	[redacted]	108.55	+0.5	[redacted]	[redacted]	[redacted]	105.89	[redacted]	108.05	129.80	106.85	137.94
Pacific Ex. Japan (191)	139.50	+0.1	[redacted]	[redacted]	[redacted]	125.31	−0.3	[redacted]	[redacted]	[redacted]	121.50	123.09	[redacted]	[redacted]	111.40	132.29
World Ex. US (1767)	140.24	+0.1	[redacted]	122.43	[redacted]	[redacted]	+0.4	[redacted]	[redacted]	[redacted]	122.14	123.74	[redacted]	[redacted]	[redacted]	151.42
World Ex. UK (1997)	141.38	+0.2	120.95	[redacted]	[redacted]	[redacted]	+0.3	[redacted]	141.15	[redacted]	123.00	[redacted]	131.06	145.77	120.06	147.11
World Ex. So. Af. (2230)	143.69	+0.1	[redacted]	125.44	[redacted]	[redacted]	[redacted]	2.60	143.53	121.94	125.08	[redacted]	[redacted]	[redacted]	122.92	[redacted]
World Ex. Japan (1838)	149.48	[redacted]	127.88	[redacted]	[redacted]	140.41	[redacted]	[redacted]	[redacted]	126.87	130.13	131.85	[redacted]	152.83	126.69	[redacted]
The [redacted] Index (2290)	144.16	+0.1	[redacted]	[redacted]	128.05	133.07	+0.3	2.61	[redacted]	122.33	125.47	127.12	132.65	[redacted]	[redacted]	148.28

Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: Finance and production take pride of place, with personnel still lagging behind

How countries rank business functions

WHEN the Jobs column last printed the table alongside, a year ago, some two dozen readers from various parts of the world objected. So today I have amended the format in line with their representations.

The aim of the table is to outline how organisations in different countries value the various business functions such as finance, marketing and so on. And my method of doing that is to take comparable companies as depicted by the Wyatt consultancy's annual survey of top managers' rewards, and work out the typical pay of the directors heading each of the functions as a percentage of the typical pay of their company's chief executive.

Since nobody quibbled about the method as such, I have used it again. The company forming the basis of comparison across the 10 lands is a manufacturing outfit with a sales turnover of about US$100m (which, [illegible] the 1.7305 exchange rate used to convert the various currencies into sterling, comes to nearly £58m).

What has changed, however, is the definition of "pay" on which the differences between chiefs and their departmental directors are calculated. The yardstick I used last year was total pay received in money, including results-related bonuses as well as salaries. But the 22 readers who wrote in argued that, since such bonuses often reflect happenstance, a more stable gauge of the value companies set on the functions would be solely the salaries of the directors in charge. Accordingly, this time the [illegible] pecking orders have been worked out on salaries alone, from chief executives downwards.

Even so, while that may be a better gauge of pecking [illegible] effect has been to depress the chiefs' [illegible] where total money rewards are concerned. For, to judge by the Wyatt group's snapshot taken at the start of 1991, in all but one of the countries the person at the top did markedly better for bonuses than the generality of directors one rank below.

The chief executives' typical incentive payments expressed as a [illegible] their salaries, and the corresponding averages among the function heads, were as follows:

[illegible]	[illegible]	[illegible]
[illegible]	23.2	15.8
Switzerland	26.1	11.1
Germany	22.8	8.8
Italy	15.9	[illegible]
[illegible]	24.4	9.3
Netherlands	15.0	[illegible]
Belgium	14.5	6.5
Sweden	10.1	[illegible]
[illegible]	[illegible]	[illegible]
UK	22.0	13.7

So [illegible] bonuses are taken into account, the topmost rankers in France, Switzerland and Germany in particular perch a good deal higher over their immediate subordinates than the table's pecking order suggests.

On the measure of salaries alone, however, it is Switzerland that has the smallest differential between the top person and those on the next rung down. At the other end of the scale comes the United States with a sharply lower valuation of its function heads as a whole. The country-by-country ranking, with the other directors' average salary expressed as a percentage of that of the chief, is:

Country	Chief's salary (£)	Others %
Switzerland	99,249	[illegible]
Italy	[illegible]	[illegible]
Spain	[illegible]	[illegible]
Germany	[illegible]	[illegible]
UK	71,078	62.8
Netherlands	76,394	[illegible]
Belgium	81,537	60.9
[illegible]	86,102	60.7
Sweden	71,656	58.6
US	90,870	52.2

As for the pecking order among the functions, finance (which includes administration) is [illegible] to the top boss in four countries: the US, Switzerland, France and Spain. But while production does likewise in only two – Germany and Netherlands - the fact that it ranks no lower than fourth in any of the others gives it equal ranking with finance in overall terms.

Third by the same overall yardstick is research and development (surprisingly top of the functional heap in the United Kingdom). Then come marketing, sales, engineering, and personnel only slightly ahead of data-processing in last place.

The generally lowly rating of personnel directors in particular chimes oddly with company chiefs' frequent public avowals that their human resources are the most important assets they have. The reason may be that recession has delayed the impact of reduced birthrates, which in numerous countries seem set to make skilled workers hard to find and keep.

If so, since the falls in young populations look unlikely to be reversed, we may see personnel rated higher in years to come.

HEADHUNTER John Williams seeks a macroeconomist to work in Frankfurt for an un-named international bank. He promises to honour applicants' requests not to be named to his client at this stage.

Candidates must write as well as speak both German and English fluently and have City experience including the presentation of economic data to customers.

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Michael Dixon

PECKING ORDERS OF COMPANIES' DEPARTMENTAL DIRECTORS IN 10 DIFFERENT NATIONS

	United States	Switzer-[illegible]	[illegible]	Italy	France	Nether-lands	Belgium	[illegible]	[illegible]	United Kingdom
[illegible]	[illegible]	£99,249	102,933	£90,899	£86,102	£76,394	£81,537	£71,656	[illegible]	£71,078
Departmental directors ranked by their typical salary as a [illegible] of chief executives' typical salary	%	[illegible]	%	%	[illegible]	[illegible]	%	%	[illegible]	[illegible]
	Finance 62	Fin 81	Pdcln 68	Eng 77	Fin [illegible]	Pdcln 67	Eng 67	Mktg [illegible]	Fin 69	Rsch 71
	Sales 61	Pdcln 77	Fin 67	Fin 71	Rsch [illegible]	Sales 67	Pdcln 65	Sales [illegible]	Pdcln 67	Mktg 68
	Research [illegible]	Mktg 76	Sales 67	Pdcln 71	Mktg 63	Fin [illegible]	Rsch 64	[illegible]	[illegible]	Pdcln 65
	Production [illegible]	[illegible] 76	Mktg [illegible]	Rsch 70	Pdcln 61	Pers 62	[illegible]	Pdcln 58	D-P 66	[illegible]
	Marketing 58	Pers 71	D-P 62	Mktg 68	Sales [illegible]	Eng 61	D-P 60	Pers 52	Sales 66	Fin 63
	[illegible] 50	Sales 69	Rsch 62	Sales 65	Eng 60	Rsch 57	Pers 59	— —	Eng 61	D-P 60
	Personnel 44	Eng 67	Eng 60	Pers 63	Pers 58	Mktg 55	Fin 57	— —	Mktg 61	Eng 58
	[illegible] 42	D-P 67	Pers 58	D-P 59	D-P 54	— —	Sales 53	— —	Pers [illegible]	Pers 54

Source: Top Management Remuneration, Wyatt, 273 Avenue de Tervuren (Box 4), 1150 Brussels, Belgium; tel (02) 771 99 10, fax (02) 762 37 43. Price 30,000 Belgian francs.

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BRADFORD

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FINANCE & COMPUTER DIVISION

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Ref. F367/FT

Application forms are available from the Directorate of Finance, Management & Planning 14, Directorate Personnel Office, 1st Floor, Britannia House (Broadway Entrance), Bradford BD1 1HX. Tel. Bradford (0274) 752765.

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Please write in confidence with full personal and career details to Ms Penny Wynn, Personnel Assistant, Recruitment, or telephone for an application form to Mrs June Hulke, Personnel Department, Canada Life Assurance, Canada Life Place, Potters Bar, Herts EN6 5BA. Tel: 0707 50877 (24 hour answerphone).

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You should hold a recognised UK accounting qualification and have a good working knowledge of both written and spoken German.

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Please write detailing how you meet our requirements to *Mr C D Gay, Personnel Services Manager, RMC Group Services Limited, RMC House, Coldharbour Lane, Thorpe, Egham, Surrey TW20 8TD.*

RMC

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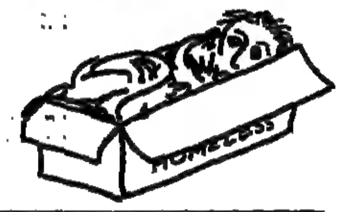

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If you want to respond to this challenge and would like more information please contact:

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Network House
10-12 Neeld Parade
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081-902 7050

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The salary and benefits will be attractive and a quality company car is included in the package.

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ACCOUNTANCY COLUMN

Audit firm ruling may hold message for lawyers

By David Waller

When will City see the first giant multi-disciplinary firms, providing legal, accounting and management consultancy services and bearing names such as Coopers & Lybrand Freshfields or Linklaters & Waterhouse?

At present, the rules of the Law Society, the professional body for the UK's solicitors, and those of the accountancy bodies, make it impossible for lawyers and accountants to practice in one partnership. The status quo is however under attack from a government keen to increase competition in the professions.

The word at Moorgate Place, home of the Institute of Chartered Accountants in England & Wales (ICAEW), is that the director general of fair trading's objections to the ICAEW's proposed rules on the ownership of audit firms are in fact directed at lawyers and the Law Society.

The Companies Act 1989 allowed up to half the partners in auditing firms to be non-auditors. It said that a simple majority of partners had to be auditors, thereby making it possible for firms to sell 49 per cent of their shares to an outside investor and allowing them to take non-accountant consultants into a single partnership.

It was up to the ICAEW and the other professional bodies to formulate their own rule-books so as to comply with the provisions of the Schedule 11 of the Act. The ICAEW came to the conclusion that non-auditors should be permitted to own no more than 25 per cent of the shares in audit firms and to form no more than a quarter of the partners.

The ICAEW argued that the independence of auditors would be at risk if consultants or other outsiders had a larger role than this. It filed its draft rule-book and waited for the government to approve its status as a Recognised Supervisory Body under the terms of the Act and, by extension, the whole new audit regime, the advent of which is much delayed.

That position taken by the ICAEW seemed a sensible response to the worries of those who suspect that Chinese walls do not work and that the independence of auditors is already compromised by commercial considerations, even under a set of circumstances whereby chartered accountants are not allowed to be in partnership with anybody else.

The ruling seemed somewhat academic: no — one is queuing up to get into the audit business

However, Sir Gordon Borrie, director general of fair trading, saw things differently. In March this year he delivered a bombshell when he wrote to Mr Peter Lilley, trade and industry secretary, saying that that the proposed 75/25 per cent rule was uncompetitive.

The grounds he gave for this ruling were odd. He said that the proposed rule would exclude from the market for audit services any non-accountancy firm, "regardless of the quality of staff it can attract and the measures it might put in place to ensure the standard of conduct expected by the institutes".

Granted, his brief was to review the implications for competition of the draft rule-book, and not to consider the impact on the independence of auditors if they should happen to work for a firm where consultants call the shots. Yet the ruling seemed somewhat academic: no-one is queuing up to get into the audit business, where margins are thin and overheads high.

That is where the Law Society comes in. Sticking to its 75/25 guns, Moorgate Place soon came to the conclusion that Sir Gordon's ruling was so obscure as to be less of an attack on the structure of the accountancy profession under the new regime than an indirect dig at the legal profession, where multi-disciplinary partnerships (MDPs), between solicitors and accountants, for example, are forbidden by the Law Society rule-book. The accountants believe that the tough stance over their rule-book is signalling that the government will take an equally hard line over lawyers.

With the OFT declining to expand on its formal position, that interpretation of events has become more plausible for two reasons. First, the Law Society clearly saw the OFT's ruling as a challenge to its own stance on MDPs, and put out a statement earlier this month supporting the ICAEW on the 75/25 per cent issue. Second, on Monday this week the DTI proposed lifting the general ban on partnerships of more than 20 people, thus lifting the last formal obstacle to the formation of MDPs between accountants and lawyers.

"This initiative...might help the large professional practices meet the increasing demand from their clients for a wider range of specialised services and enable them to recruit and retain the necessary staff to provide these services," the government said.

Until last year, solicitors were forbidden to go into partnership with anyone but other solicitors. That was lifted by the 1990 Courts and Legal Services Act, which allowed the Law Society to make its own rules in this area. These reflect what used to be the statutory position, although in time the Law Society will have to satisfy the government that its rule-book is not anti-competitive.

Auditors frequently complain that their clients turn up to crucial meetings with a lawyer in tow

The government is committed to forcing MDPs on the professions, but do the firms want to form them?.

Given the enthusiasm with which the Big Six have diversified into anything and everything, it would be surprising if they had not considered it. However the relationship between lawyers and accountants is uneasy and firms do not appear to be straining to form MDPs the moment their professional bodies will let them.

City lawyers traditionally earn more money than accountants, but that does not prevent them envying the big accountancy firms.

The huge market for tax consultancy services is dominated by accountants, as is the growing market for insolvency advice: both the preserve of the legal profession in the US and Continental Europe. Similarly, accountants dominate the market in the provision of financial advice to individuals.

In all these areas — except perhaps insolvency — accountants and lawyers compete. Yet in other areas, the big practices in the two professions depend up one another. Auditors refer specialised questions of company law to the lawyers, and the lawyers refer financial and investigative work to the accountants. Litigation support — forensic accounting by another name — is a growing area of business for the accountants.

Relations between lawyers and auditors are further complicated by the lawyers' role in the audit process. Auditors frequently complain that their clients turn up to crucial meetings with a lawyer in tow, turning a matter for professional judgment into a legalistic quagmire.

Firms of accountants are worried about the business they would lose from all the other lawyers if they established a link with only one.

Nevertheless, senior partners of accountancy firms do not dismiss the idea out of hand. The ICAEW hopes to meet the government in the next week or so; and the barons of the accountancy firms, and their counterparts in the legal profession, will be watching the outcome of the 75/25 per cent debate closely.

ACCOUNTANCY APPOINTMENTS

METROPOLITAN HOUSING TRUST

The Trust is a progressive and expanding Registered Housing Association working in inner city areas of London and the East Midlands, now managing over 6,000 homes throughout the Group.
A *new* post has been created for a

Financial Controller

Salary Circa £30k + car + pension + benefits + PRP

The post has been created to recognise the changing financial management of housing associations and the increasingly important role for key financial management information.

The post offers an exciting opportunity for someone to take on an excellent career opportunity in a progressive housing association.

The person appointed will be responsible for producing the statutory and management information, and for control of the whole Revenue function and will report to, and deputise for, the Financial Director. Candidates should be qualified accountants with proven management and communication skills. In addition experience of working with and developing computer systems and a good knowledge of spreadsheet applications is desirable.

Candidates must demonstrate:

- significant management experience;
- excellent interpersonal skills and team leadership qualities;
- a successful track record in the development of financial policies;
- a proven history of personal and professional achievement.

Applications in the candidates own style, to include a full C.V. should be sent to Christopher Porritt FCA, Rodney Dykes Housing Services Limited, The Cloisters, Halsall Lane, Formby, Liverpool L37 3PX. Tel. 07048 31444, who is advising the Trust on the appointment.

Closing date for applications is 28th June 1991.

The Trust's equal opportunity policy aims for fairness in recruitment and service delivery. The post will be based in Wood Green, London (Piccadilly line) in MHT's head office at Cambridge House, 109 Mayes Road, Wood Green, London N22 6UR.

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confidential

FINANCE DIRECTOR

£30,000 + BENEFITS **WORCESTERSHIRE**

A major, well established engineering company which is part of a large group supplying the UK and International Automotive Industry wishes to recruit a Finance Director.

Reporting to the Managing Director and controlling a staff of 20, the successful applicant will be responsible for all aspects of financial and management reporting, financial control and strategy implementation.

An experienced accountant, preferably qualified in Cost and Management Accounting, you are likely to be in your 30's or early 40's with a background in manufacturing industry and with a sound knowledge of computer systems.

An attractive employment package includes a Car, Bonus, Private Health Insurance and a good Contributory Pension Scheme. A relocation package is available.

Interested applicants should send a comprehensive curriculum vitae, with salary details, stating any company to whom you do not wish your application to be forwarded, and quoting ref. no. 314933 to Claire Parry, Account Group Manager, Riley Advertising (Birmingham) Limited, Confidential Reply Service, 1301 Stratford Road, Hall Green, Birmingham B28 9AP.

LONDON ABERDEEN BIRMINGHAM BRISTOL EDINBURGH GLASGOW RILEY *LEEDS MANCHESTER NEWCASTLE NORWICH NOTTINGHAM*

MAJOR INTERNATIONAL SECURITIES HOUSE

Tax Accountant

C.£34,000 + Banking Benefits

Our client, one of the world's leading financial institutions, is renowned for its innovation, marketing and distribution power in international markets.

They wish to recruit a qualified accountant to take responsibility for establishing a dedicated tax function within the accounting team at their European headquarters based in London.

The role will be wide ranging and will include responsibility for corporate tax, PAYE, VAT and accounting for foreign dividends. Additionally, the successful individual will be responsible for the development of new systems and procedures to enhance the efficiency of financial and taxation reporting.

The successful candidate, a qualified accountant aged 25-35, must have had considerable taxation experience in the last two years whilst retaining strong accounting skills.

This represents a rare opportunity for an enthusiastic, hard-working individual to join this powerful, expanding organisation.

Interested candidates should contact Suzie Mummé on 071-248 3653 (081-673 2549 evenings/weekends) or write, sending a detailed CV to the address below or use our confidential fax line on 071-248 2814. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ BBM ASSOCIATES Tel: 071-248 3653 Fax: 071-248 2814

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West End Substantial Package

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There is a need to strengthen further this team through the appointment of an outstanding treasury professional.

This is a new position which reports to the Group Treasurer and sits with him on the Grand Metropolitan Finance Board. Responsibilities will include extensive balance sheet appraisal to ensure optimum funding initiatives, implementing agreed hedging strategies on interest rate/foreign exchange exposure, ensuring adequate liquidity resources, project financing and promoting the central treasury function throughout the Group.

This is a complex and challenging environment which demands strong intellect and innovative application.

Probably aged 35-42, the ideal candidate will be educated to degree level, possibly to MBA standard, must be ACT qualified and preferably hold a recognised accounting qualification together with at least seven years' experience within a multi-national, corporate treasury function using innovative and diverse financial products. A sharp intellect, practical application and high integrity are essential characteristics in order to lead and motivate a *growing professional team.*

The ability to progress within this exciting and demanding *environment is mandatory.*

The remuneration package will reflect the seniority of this position and will *not* be a limiting factor. The package will comprise a high base salary, generous performance-related bonus, car, stock options and other attractive benefits.

Interested applicants should send a detailed CV, by post or fax, to James Hyde at the address below, quoting reference number 063J.

ST. JAMES ASSOCIATES

MANAGEMENT SELECTION

32 OLD BURLINGTON STREET, LONDON W1X 1LB FAX: 071-287 2821. TELEPHONE: 071-287 2820.
A GKR Group Company

Providing a Dynamic Lead

As one of the UK's major retail organisations, Boots The Chemists know what it takes to provide a dynamic lead – and as an ambitious accountancy professional, with a keen commercial awareness, so will you.

Business Management Accountant

c £30,000 + Car + Profit bonus Nottingham

In this key position based within one of our seven dedicated business units, you will utilise your considerable range of personal and professional *skills to provide a dynamic and proactive service* to the Business General Manager and his buying/marketing team.

Involving yourself thoroughly in the business sector and its needs, you will play a vital part in assisting the Business General Manager in formulating, appraising and monitoring proposals and strategies aimed at improving the unit's business performance and profitability.

A strong communicator, your personality, energy and expertise will enable you to positively influence strategic thinking and decision making and ensure that you are an indispensable member of the management team.

With a proven track record, you will be *commercially astute, with a strong personal drive* and the interpersonal skills to win people over to your way of thinking. You will have several years experience almost certainly in a retail background.

If you feel you have the essential qualities and commitment to provide a dynamic financial lead in this important area of our business, then please send a full c.v. to Madeline White, Personnel Officer, BTC Central Areas, Station Street, Nottingham NG2 3AA.

Boots

An equal opportunity employer

Financial Controller

London, New York, Paris

to £35,000 plus generous benefits

Our client is a highly successful group of companies involved in investment management on an international scale. It also provides political and economic perspective and portfolio systems to investment institutions. Due to organic growth and the resulting increase in financial commitments, the *Group now wishes to appoint a Financial Controller to assist in the development and implementation of* financial controls in all group entities.

Reporting to the Chief Financial Officer, the successful candidate will be based in London and will take responsibility for all financial reporting including the preparation of year end accounts, liaison with external auditors and tax advisors, compliance, and the company secretarial function. He or she will also be responsible for overseeing, developing and improving the accounting functions in London, Paris and New York, and there will, therefore, be an element of travel involved.

This is a new position and will require the talents of an exceptional individual; qualified as an ACA/ACCA, the successful candidate must be able to demonstrate at least 2 years qualified experience in commerce or practice, which should include a working knowledge of US GAAP accounting procedures and an understanding of IMRO requirements. On a practical level candidates should have strong computer skills, the ability to lead a team and the confidence to act on their own initiative with the minimum of supervision.

Interested candidates should send a CV with present remuneration, day and home telephone numbers to Anna Ponton, quoting ref C6677.

KPMG Selection & Search

70 Fleet Street, London EC4Y 1EU

Finance Director

Yorks/Lancs Border **to £30,000 + Car**

Our client is a £10m turnover company and a subsidiary of a successful Yorkshire based engineering PLC. The company operates within a niche area of specialist engineering.

Due to the impending retirement of the present incumbent, our client seeks to appoint a Finance Director. Reporting to the Managing Director, you will assume total responsibility for the financial management, data processing and company secretarial functions of the Company. *More* specifically, you will be responsible for upgrading the management information systems and for ensuring that monthly reporting is both timely and accurate. In addition, you will fulfil the role of Financial Controller for its Division, which controls subsidiaries in Continental Europe in addition to the United Kingdom.

Candidates, aged 30-40, will be graduate Chartered Accountants with a minimum of 5 years' post qualification experience gained predominantly within a manufacturing environment. In addition, you will need to display keen commercial awareness combined with the personal presence and maturity required to make a significant contribution to the management of the business.

Interested applicants should write enclosing a Curriculum Vitae to Stephen K. Banks, Regional Director at Michael Page Finance, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX, quoting Ref: L8554.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

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NOR MID TEC

Financial Consultant/Executive

c.£28,000 + Car + Benefits Warrington

- *Our client, NorMid Training and Enterprise Council, is about to be launched as an independent company established to provide training and advice to local businesses in the North and Mid-Cheshire area.*
- *Run by a forward looking management team drawn from both industrial and civil service backgrounds the TEC is facing a time of exciting challenge and exceptional change as it begins to develop new internal systems and new training and development initiatives with the local business community.*
- *The Chief Executive seeks to strengthen the executive Board by recruiting an innovative self starter who will take full responsibility for financial management and management information within the TEC and also assess the consultancy needs of local businesses, co-ordinate a Business Advisory Panel made up mainly of external consultants and act as a Financial Consultant on the Panel.*
- *The ideal candidate, a qualified accountant with both operational and advisory experience, will already have demonstrated the ability to operate in a senior financial position whilst retaining the preparedness to be a "hands-on" manager with a strong team management style; someone with the personal authority to deal with and give advice to, people from all areas of industry and the local community.*
- *If you believe that you have the technical, commercial and personal skills to develop this role and the commitment and drive to enhance the longer term aims of the TEC we would be pleased to hear from you.*
- ***Applications should be made in writing with a full CV and current remuneration package details, quoting reference F/834/J, to Julie Meakin, Senior Consultant, Ernst & Young Corporate Resources, Lowry House, 17 Marble Street, Manchester M2 3AW.***

ERNST & YOUNG

Manager – Management Accounting
Retail

Herts **c£35,000 + Car + Benefits**

Our client is a major player in the retail sector with a projected turnover for 1991 of c £400 million. Their increasing emergence as a key market force has been achieved by a clearly focused marketing strategy and an aggressive investment programme in people, systems, product training and new outlets.

In order to strengthen their financial and commercial expertise, our client is seeking to appoint an ambitious, qualified accountant with strong commercial, communication and technical skills, and the ability to become an integral part of the senior management team. The successful candidate will report to the Director of Finance and will be responsible for the commercial and management accounting functions within the company. This high profile role will involve contact at Board level as the individual will be expected to provide significant commercial input to the management of the business.

Prospective candidates must be qualified accountants, preferably graduate ACA/ACMA, aged 28-32, with a successful track record gained in a retail or fast moving service environment.

Applicants should be able to offer both a 'hands-on' approach to the business and the intellectual ability to contribute to strategic decisions.

Equally important are the personal qualities which must include good people management and analytical skills together with a confident and persuasive manner. The company has an open and informal management style where performance and contribution are recognised and rewarded. The prospects for future finance or operational career development within the organisation are excellent.

For further information, please write enclosing a full curriculum vitae (including salary details and daytime telephone number) and quoting reference LN1671 to Gary Watson, Michael Page Finance, Centurion House, 136-142 London Road, St. Albans, Herts AL1 1SA.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham
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Finance Director
ENGINEERING INDUSTRY

West Midlands **Circa £40k**

An excellent opportunity has been created to head up the Finance function of a subsidiary of an expanding £700m Group engaged in the manufacture of steel products.

Reporting to the Managing Director, you will head a strong team and as a member of the company's management team, you will also share in the direction of the business.

Age 30-50, your successful academic record will include formal accounting qualifications and your business record will have advanced you into senior financial management.

You should be able to demonstrate a strong track record in the engineering industry, preferably in steel related products. You will have commercial flair and developed management skills.

The reward package for this key appointment will consist of salary and bonus in the region of £40k, along with executive car, pension, health insurance, help with relocation and other large company benefits. Opportunities will exist for career development across the whole of the Group.

Please write in complete confidence with full personal details to Lesley Glen, as advisor to the company, at:

DAI Selection
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DAI Selection, 1266 Warwick Road, Knowle, Solihull B93 9LH

CREDIT MANAGER

EAST ANGLIA **£30,000 PACKAGE**

Our client is a major force within the Financial Services Sector supplying a range of credit facilities.

This is an outstanding opportunity for a high-calibre credit professional experienced in the management of a large number of staff.

You will have:

- An innovative approach to credit management
- A resilient and positive attitude
- Strong management ability to maintain morale
- Experience of setting credit policy, preferably within a large corporate environment.

This is a key position with the following prime objectives

- Formulating and co-ordinating group credit policy
- Management of change within a rapidly developing environment.
- Motivation of large numbers of staff through the encouragement of innovation and objective setting

This opportunity will use all your credit management, man-management and policy implementation expertise in a high growth industry. A competitive salary is supported by a considerable benefits package plus relocation assistance.

Please write in confidence, enclosing full details of your career to date, including current salary, to the address below quoting REF DB/CM300. 2nd Floor, Janus House, 46 St Andrew's St, Cambridge, Cambs CB2 3AH. Telephone: 0223 461369

Accountancy Personnel Hays

Caswell Abbott

COMMODITY OPERATIONS SUPERVISOR

CITY ***c £25,000 + SUBSTANTIAL BANKING BENEFITS***

Our Client, a premier US bank with a significant commitment in Europe, has achieved an international reputation for excellence as a Global Merchant Bank. Through its ongoing commitment to innovate new and exciting products and to provide strong operational and business support to its principal trading activities, they now wish to appoint an energetic professional to assume responsibility within the Bank's London based Commodity Derivatives Operations Group.

As a proven man-manager, you will supervise a small team who will be responsible for all operational credit, documentation, accounting and the reporting requirements for this high profile group.

The successful candidate will need to demonstrate a comprehensive understanding of the economic and financial implications of complex deal structures. In addition, you will become a key member of a team responsible for developing an enhanced I.T. system.

A graduate in your mid to late 20's, you will combine a strong accounting background with proven exposure to derivative products, ideally gained in a banking operations environment. Used to managing change effectively, you will now be seeking to accelerate your career within a recognised international market leader.

In the first instance, please contact MARK STEWART at CASWELL ABBOTT EXECUTIVE SEARCH & SELECTION Tel: (071) 938 1022, or write to him at 12 Kensington Church Street, London, W8 4EP.

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Financial Management

United States ***Excellent Package***

- Our client, Cooper Industries, a Fortune 100 company, wishes to recruit and retain the best financial management talent available, to participate in its 33 month development program, in the United States starting in Autumn 1991.
- Cooper has several large operations in the UK, and it is anticipated that successful UK candidates would relocate to a UK operation upon completion of the development program.
- The rotational work assignment program is designed to give broad, practical experience to financial professionals and to develop their managerial potential as they begin their careers in financial management with Cooper Industries.
- Participants will have exposure to corporate and operations accounting, working capital management, international finance, corporate and local tax assignments, a variety of financial reporting mechanisms, together with in-house training, including business writing and project management. The program involves considerable travel throughout the North Americas.
- This is an unusual and exciting career opportunity for ambitious, self-sufficient newly qualified accountants trained in the major UK accounting firms. The successful candidates will already have acquired manufacturing rather than service industry experience. In addition to excellent training and experience, they will enjoy the benefit of travel and work in the USA and a salary and benefits package which reflects Cooper Industries' international reputation.
- **Please reply in confidence with full personal details quoting reference R205 to Derran Sewell, Ernst & Young Corporate Resources, Lowry House, 17 Marble Street, Manchester M2 3AW. Tel: 061-953 9000. Fax: 061-834 7117.**

ERNST & YOUNG

GROUP FINANCIAL DIRECTOR

Datacomms **package to c £50k + equity** **EDINBURGH**

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The Role – reporting to the Managing Director, you will be responsible for:

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- Developing and driving the management and financial systems to support the future international development of the company.
- Advising international and local management on issues and objectives affecting profitability.
- Playing a leading role in the group's external financial relationships.

The Candidates –

- Qualified accountants, probably aged around 35-45.
- First-class record of pro-active, business-orientated financial management.
- Previous experience, preferably gained in a fast-moving, high-tech international business.

Candidates should submit their CVs by letter or fax to Frances McAulay, Spider Systems Limited, Spider Park, Stanwell Street, Edinburgh, EH6 5NG. Fax no 031 554 0649.

SPIDER SYSTEMS

APPOINTMENTS ADVERTISING
appears every Wednesday & Thursday (UK) & Friday (in the International Edition only.)

GROUP FINANCE DIRECTOR

Specialix

Surrey **c £60,000 + substantial benefits**

Specialix International Plc was formed in 1986 specifically to focus on the fast developing multi-user PC market with an objective to become a major supplier of intelligent enhancement products on a global basis. By developing the right people and establishing a world-wide network of distributors, the Group has clearly succeeded and turnover will top £14m this year.

This rapid development together with the need to fund future growth necessitates the appointment of a highly motivated Group Finance Director to ensure that the financial structure of the Group is effectively controlled and enhanced.

Reporting to the Chairman, this will be a main Board appointment involving considerable international travel. Responsibilities will include the usual statutory accounting and business planning functions with considerable emphasis on global treasury management and corporate finance.

Candidates should be graduate chartered accountants aged between 35 and 50 who can demonstrate a successful post professional career in an international manufacturing environment. Experience of mergers and acquisition negotiations, and the ability to spot opportunities where others see only problems are considered essential.

Interested applicants are invited to send their CV, in the strictest confidence, to Andrew Sales, FCCA quoting ref: 208 preferably including details of current remuneration and a daytime telephone number.

Kidsons Impey Search & Selection Ltd, 29 Pall Mall, London SW1Y 5LP
Tel: 071-321 0836 Fax: 071-976 1116 International Search Group – London · Paris · Köln · Milano

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Hampshire County Council

PORTSMOUTH COLLEGE OF ART & DESIGN

Business & Finance Manager/ Clerk to the Governors

This leading Art & Design College seeks to appoint to its Management Team a professionally qualified person who has skills and experience in financial management relevant to both public and private sectors.

In 1990 under the Education Reform Act the College took responsibility for managing its own curriculum and resources. A new White Paper will introduce a Further Education Council under which the College will be incorporated in April 1993.

A pro-active approach to the management of both change and finance is required.

Salary Circa £27,000 (pay award pending)

Closing date 14 June 1991

Application form and further details from
The Registrar
Portsmouth College of Art & Design
Winston Churchill Avenue Portsmouth PO1 2DJ
Telephone: (0705) 826435 Ext. 41

Hampshire County Council pursues a policy of equality of opportunity. Applications particularly welcome from people with disabilities.

Coleg Prifysgol Cymru
Aberystwyth
The University College of Wales

ERNST & YOUNG CHAIR OF ACCOUNTING

Applications are invited for the Ernst & Young Chair of Accounting, previously held by Professor Mahmoud Ezzamel, for appointment from 1 September 1991 or as soon as possible thereafter. The College has been expanding its highly regarded teaching and research in this subject and two further appointments (one Senior Lectureship and one Lectureship) will also be advertised shortly. The other professors in the Department are Richard Macve (Head of Department) and Mark Tippett (from July 1991). The new Ernst & Young Professor will be expected to offer additional research leadership in the Department, which ranks as one of the leading Departments in accounting research in the UK. While candidates with research interests in any area are encouraged to apply, specialist interests in auditing or management accounting could be particularly valuable. The salary will be in the Professorial range and not less than £28,363 per annum (including interim award).

Informal enquiries may be made of Professor Richard Macve on (0970-622201). Further information is available from the Staffing Officer, The University College of Wales, Old College, King Street, Aberystwyth SY23 2AX (Tel. 0970-622054), to whom applications (12 copies from applicants in the UK) should be sent together with names and addresses of three referees, to arrive not later than Thursday, 27 June 1991. Applicants from overseas may submit one application by Airmail or FAX (0970-611446).

FINANCIAL DIRECTOR

We are a fast growing financial consultancy company based in central London with a large number of European clients.

We are looking for a self motivated person who will advise our clients and head the firm's accounting department.

The person is likely to be under 35, a qualified Chartered Accountant, and have at least three years post-qualification experience.

Starting salary up to £35k.

Write to Box H1523, Financial Times
Southwark Bridge, London SE1 9HL.

SWITZERLAND **EXECUTIVE SELECTION**

FINANCIAL DIRECTOR

Successful petroleum company with worldwide, integrated petroleum operations ranging from exploration to production and distribution of crude oil, is seeking a Finance Director to steer the company through an ambitious period of expansion and development.

Candidates will be in charge of the company's financial requirements - (from dealing with its banks, to following credit lines and investments, etc), provide timely and accurate management information as well as having an eye for detail whilst being able to take a broad commercial view. A strong costing background, coupled with knowledge of systems implementation is highly important. We are looking for someone who is energetic and committed to achieving success in a highly competitive environment.

This is a challenging position with excellent growth prospects both career wise and for personal development in the medium term.

Please send your application enclosing a detailed Curriculum Vitae and current salary to:

Corporate Division
PANOCO SA, Chemin de la Vuarpillière 29,
P.O. Box 564, 1260 Nyon, Switzerland